

GOVAN MBEKI

LOCAL MUNICIPALITY



2009/2010

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2010

GOVAN MBEKI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

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GENERAL INFORMATION

EXECUTIVE MAYOR

S.S Nkosi

SPEAKER

L.L. Masina

MEMBERS OF THE COMMITTEE OF THE MAYOR

Executive Mayor	Speaker (Ex officio)
Deputy Executive Mayor	O. Mtsweni
Councillors: S.C. Vilakazi	Z.G. Mkhawanazi
N.E. Nkosi	A.B. Madonsela
	F.B. Nkambule

GRADING OF THE LOCAL AUTHORITY

Grade 4

AUDITORS

External:	Auditor General	Internal:	KPMG
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PRIMARY BANKER

ABSA Bank Limited

REGISTERED OFFICE

Central Business Area
Horwood Street
SECUNDA
2302

Private Bag X1017
SECUNDA
South Africa
2302

Telephone: (017) 620-6000

Facsimile: (017) 634-8019

E-Mail: gbrecords@govanmbeki.gov.za

MUNICIPAL MANAGER

Dr L.H. Mathunyane

CHIEF FINANCIAL OFFICER

J.M. Mokgatsi


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GENERAL INFORMATION (continued)

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 108, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2010.


DR L H MATHUNYANE
MUNICIPAL MANAGER
31 August 2010
JM MOKGATSI
CHIEF FINANCIAL OFFICER
31 August 2010

GOVAN MBEKI MUNICIPALITY
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MEMBERS OF THE COUNCIL


WARD	COUNCILLORS		PROPORTIONAL COUNCILLORS	
1	E.N. Khanye	ANC	C.J.H. Breedt	FF
2	M.P. Mabhena	ANC	S.M. Masombuka	DA
3	S.A. Makhaye	ANC	T.M. Denny	DA
4	E. Mtsweni	ANC	S.J. Dhladhla	DA
5	M.A. Taylor	DA	D.M. Dlamini	ANC
6	F.B. Nkambule	ANC	N.J. Gwebu	ANC
7	C.V. Gwiji	ANC	Z.A. Hlatshwayo	PAC
8	T.M. Buthelezi	ANC	M.B. Jean-Pierre	ACDP
9	B.D. Mahlangu	ANC	Vacant	ANC
10	T.J. Tsotetsi	ANC	A.B. Madonsela	ANC
11	A.D. Sithole	ANC	M.F. Mahlangu	ANC
12	M.S. Jele	ANC	S.S. Mahlangu	DA
13	M.Z. Malinga	ANC	Y.T. Ngxonono	ANC
14	B.S. Zulu	ANC	J.F. Buthelezi	ID
15	M.P. Mkoko	ANC	J. Masilela	ANC
16	S.C. Vilakazi	ANC	L.L. Masina	ANC
17	T.A. Moekoa	ANC	S.S. Masina	ANC
18	J.W. Harris	DA	Z.G. Mkhwanazi	ANC
19	T.A. Mtsweni	ANC	Z.A. Mkhwebane	DA
20	T. Dyusha	ANC	T.L. Mlotshwa	DA
21	H.J. Badenhorst	DA	O. Mtsweni	ANC
22	Z.L. Sethole	ANC	H.G. Nicholas	ANC
23	B.J. Ndinisa	ANC	M.A. Nkabinde	ANC
24	P.P. Masombuka	ANC	E.N. Nkosi	ANC
25	N.S. Victor	DA	P.M. Nkosi	ANC
26	N.G. Khumalo	ANC	S.S. Nkosi	ANC
27	E.M. Madonsela	ANC	R.J. Pretorius	ID
28	J.A. van Baalen	DA	S.T. Sishange	IFP
29	J. Nhlapho	ANC	D.J. van Tonder	FF
30	P.J. Labuschagne	DA	P.W. van Zyl	ANC
31	M.J. Nkosi	ANC		

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MEMBERS OF THE COUNCIL (continued)

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



DR. L.H. MATHUNYANE
MUNICIPAL MANAGER
31 August 2010

FOREWORD OF THE MUNICIPAL MANAGER

(Annual financial statement for the year ended 30 June 2010)

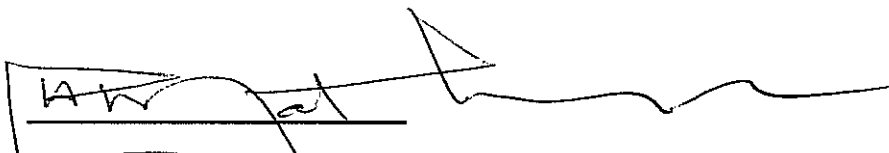
It is a legislation injunction that every entity must prepare annual financial statements which fairly present its financial affairs for each financial year; and these statements must include details of the following aspects, accompanied by any explanations that may be necessary to clarify issues:

- (a) Its Performance against its budget
- (b) Its management of revenues
- (c) Its assets and liabilities
- (d) Its Business activities
- (e) Its Financial results; and
- (f) Its position at the end of the financial year

The Municipal Finance Management Act seeks to secure compliance with the numerous duties and functions it details by creating both acts of misconduct, dealt with in disciplinary proceedings, and offences, to be prosecuted in criminal proceedings. Therefore, there is no room for any act or an omission for not maintaining a proper management, accounting and information system that accounts for the assets and liabilities of the Municipality.

These AFS forms part of the Annual Report, which is the principal accountability instrument from Management to (open to the public) Municipal Council meetings where the report is discussed; and the local community will have reasonable time to address Council.

I therefore present these AFS for your consideration, and I am awaiting your advices and comments.


DR L.H MATHUNYANE

MUNICIPAL MANAGER

31ST August 2010

GOVAN MBEKI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

FOREWORD

During the 2009/2010 financial year the municipality had to ensure that issues of compliance with various changes in legislation are addressed in order to meet the challenges set by a changing legislative environment.


The municipality, as part of improving service delivery to the community, implemented proper communication channels through the ward committee systems. Community Development Workers and the Customer Care helpdesks ensured that our people receive treatment that is in compliance with the Batho Pele principles.

Although capital projects were limited to those financed from external grant funding the municipality has successfully finalised the projects identified in the Integrated Development plan. The municipality will in the 2010/2011 financial year again embark upon projects identified in the IDP.

Service delivery and the payment for services still remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of those that were forgotten previously.

I hereby wish to thank the MMCs and executive staff for their commitment during the year, in ensuring that we met the targets set in the Integrated Development Plan and the 2009/2010 budget.

I thank you.



CLLR S.S. NKOSI
EXECUTIVE MAYOR
31 August 2010

GOVAN MBEKI MUNICIPALITY
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AUDIT REPORT

The 2009/2010 Audit Report was not available when the Annual Financial Statements were approved and will be attached hereto as Annexure "A" when received after the completion of the statutory audit.

GOVAN MBEKI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2009/2010 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

2. KEY FINANCIAL INDICATORS

The following indicators give some insight into the financial results of the year under review.

Financial Statement Ratios:

INDICATOR	2010	2009
Surplus / (Deficit) before Appropriations	(169 504 356)	(212 249 555)
Surplus / (Deficit) at the end of the Year	3 119 643 494	3 282 213 382
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	24.18%	23.46%
Remuneration of Councillors	1.08%	1.25%
Collection Costs	0.30%	0.87%
Depreciation and Amortisation	22.27%	25.08%
Impairment Losses	11.10%	8.74%
Repairs and Maintenance	2.61%	3.82%
Interest Paid	1.33%	1.46%
Bulk Purchases	21.30%	19.05%
Contracted Services	3.60%	3.58%
Grants and Subsidies Paid	5.32%	5.35%
General Expenses	6.92%	7.32%
Current Ratio:		
Creditors Days	40	59
Debtors Days	248	302

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

The overall operating results for the year ended 30 June 2010 are as follows:

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	1 033 915 307	353 573 205	192.42%	-	-
Operating income for the year	960 391 171	747 236 533	28.53%	951 899 585	0.89%
Appropriations for the year	50 902 182	94 709 009	(46.25)%	-	-
GRAP 17 adjustments	-	645 468 748			
	2 045 208 659	1 840 987 494	11.09%	951 899 585	114.86%
Expenditure:					
Operating expenditure for the year	1 129 895 527	959 486 087	17.76%	1 004 907 285	12.44%
Sundry transfers	(6 934 468)	(152 413 900)	(95.45)%	-	-
Closing surplus / (deficit)	922 247 600	1 033 915 307	(10.80)%	(53 007 700)	-
	2 045 208 659	1 840 987 494	11.09%	951 899 585	114.86%

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	446 985 151	321 411 414	39.07%	496 496 785	(9.97)%
Expenditure	526 455 325	518 582 579	1.52%	529 937 953	(0.66)%
Surplus / (Deficit)	(79 470 174)	(197 171 164)	(59.69)%	(33 441 168)	-
Surplus / (Deficit) as % of total income	(17.78)%	(61.35)%		(6.74)%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	1 572 634	2 028 542	(22.47)%	1 607 900	(2.19)%
Expenditure	6 020 582	4 769 582	26.23%	10 149 050	(40.68)%
Surplus / (Deficit)	(4 447 948)	(2 741 040)	62.27%	(8 541 150)	-
Surplus / (Deficit) as % of total income	(282.83)%	(135.12)%		(531.20)%	

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	89 398 990	123 159 125	(27.41)%	87 923 300	1.68%
Expenditure	142 166 552	110 149 049	29.07%	105 102 666	35.26%
Surplus / (Deficit)	(52 767 561)	13 010 076	(505.59)%	(17 179 366)	-
Surplus / (Deficit) as % of total income	(59.02)%	10.56%		(19.54)%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R 163 598 776 (2009: R114 869 481). Tariffs levied for electricity are subject to administered adjustments.

The envisaged introduction of REDS (Regional Electricity Distribution Suppliers), where electricity will be distributed a regional supplier, will impact materially on the Annual Financial Statements of the municipality.

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	285 316 612	187 154 662	52.45%	239 958 700	18.90%
Expenditure	282 911 037	218 469 134	29.50%	226 344 914	24.99%
Surplus / (Deficit)	2 405 575	(31 314 472)	(107.68)%	13 613 786	-
Surplus / (Deficit) as % of total income	0.84%	(16.73)%		5.67%	

3.5 Water Services:

Water is bought in bulk from Rand Water and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R 77 014 370 (2009: R67 957 553). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	137 117 784	113 482 788	20.83%	125 912 900	8.90%
Expenditure	172 342 031	107 515 743	60.29%	133 372 702	29.22%
Surplus / (Deficit)	(35 224 247)	5 967 046	(690.31)%	(7 459 802)	-
Surplus / (Deficit) as % of total income	(25.69)%	5.26%		(5.92)%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R123 264 255 (2009: R94 015 411). Full details of Property, Plant and Equipment are disclosed in Note 12 and appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R123 503 980 was financed as follows:

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Capital Replacement Reserve	9 404 911	6 096 077	54.28%	14 648 000	(35.79)%
External Loans	-	14 238 361	(100.00)%	-	#DIV/0!
Grants and Subsidies	114 099 070	73 644 023	54.93%	94 022 335	21.35%
Public Contributions	-	36 950	(100.00)%	-	#DIV/0!
	123 503 980	94 015 411	31.37%	108 670 335	13.65%

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2010	2009
Capital Replacement Reserve	7.62%	6.48%
External Loans	-	15.14%
Grants and Subsidies	92.38%	78.33%
Public Contributions	-	0.04%

Property, Plant and Equipment is funded to such a great extent from grants and subsidies because the municipality does not have the financial resources to finance capital from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2010	2009
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(53 007 700)	(51 293 300)
Revenue variances	8 491 586	(20 544 967)
Expenditure variances:		
Employee Related Costs	(6 482 006)	(10 472 905)
Remuneration of Councillors	(987 644)	638 148
Collection Costs	1 256 153	871 291
Depreciation and Amortisation	(181 143 928)	(172 862 121)
Impairment Losses	(70 198 862)	(22 859 500)
Repairs and Maintenance	4 540 974	1 761 296
Interest Paid	9 216 651	3 353 116
Bulk Purchases	(21 780 846)	13 217 466
Contracted Services	1 034 560	(8 195 741)
Grants and Subsidies Paid	104 143 479	60 795 148
General Expenses	35 413 227	(6 562 506)
Loss on disposal of Property, Plant and Equipment	-	(94 978)
Actual surplus before appropriations	(169 504 356)	(212 249 555)

DETAILS	2010	2009
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	(53 007 700)	(51 293 300)
Executive and Council	(6 965 576)	(4 974 901)
Finance and Administration	(2 443 774)	(47 191 729)
Planning and Development	95 927 057	(6 145 450)
Health	(1 889 050)	4 301 339
Community and Social Services	(15 626 835)	1 721 100
Housing	4 093 202	5 593 060
Public Safety	(4 375 348)	(3 587 360)
Sport and Recreation	627 559	(16 802 374)
Waste Management	(35 588 195)	22 073 076
Roads and Transport	(119 920 210)	(112 035 846)
Water	(27 764 445)	10 077 946
Electricity	(11 208 211)	(17 398 272)
Inter-departmental Charges	8 637 170	3 413 156
Actual surplus before appropriations	(169 504 356)	(212 249 555)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

5.2 Capital Budget:

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Variance actual 2009/10 / 2008/09 R	Budgeted 2009/2010 R	Variance actual/ budgeted R
Executive and Council	269 734	534 117	(264 383)	715 000	(445 266)
Finance and Administration	1 339 626	963 457	376 169	5 750 000	(4 410 374)
Planning and Development	1 371 101	710 011	661 090	21 190 600	(19 819 499)
Health	226 664	42 534	184 130	265 000	(38 336)
Community and Social Services	5 162 446	47 501	5 114 945	7 083 100	(1 920 654)
Housing	202 252	468	201 784	413 100	(210 848)
Public Safety	6 371 351	794 591	5 576 760	7 790 900	(1 419 549)
Sport and Recreation	6 890 397	346 036	6 544 361	630 000	6 260 397
Environmental Protection	-	-	-	40 000	(40 000)
Waste Management	27 904 322	35 233 923	(7 329 602)	29 111 173	(1 206 852)
Roads and Transport	9 537 580	7 330 597	2 206 983	12 694 000	(3 156 420)
Water	15 431 248	15 567 971	(136 723)	14 213 100	1 218 148
Electricity	48 557 534	6 372 543	42 184 992	8 774 362	39 783 172
Other	-	3 596 189	(3 596 189)	-	-
	123 264 255	71 539 938	51 724 317	108 670 335	14 593 920

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a criptic explanation of significant variances of more than 5% from budget, are included in Appendix "E (2)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2010 amounted to R 3 119 643 494 (30 June 2009: R3 282 344 088) and is made up as follows:

Capital Replacement Reserve	47 249
Capitalisation Reserve	330 495 545
Donations and Public Contributions Reserve	10 295 484
Government Grants Reserve	1 856 557 616
Accumulated Surplus	<u>922 247 600</u>
	<u><u>3 119 643 494</u></u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Capitalisation, Donations & Public Contributions and Government Grants Reserves are utilised to offset the cost of depreciation of assets funded from Internal Advances (not applicable anymore), Government Grants and Contributions from Public over the lifespan of such assets. Amounts equal to the cost of assets acquired from Government Grants and Public Contributions are transferred to the reserves annually.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 2 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2010 was R 26 795 331 (30 June 2009: R99 801 946).

Refer to Note 3 and Appendix "A" for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2010 was R 47 813 481 (30 June 2009: R43 277 709).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 4 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R 20 665 486 as at 30 June 2010 (30 June 2009: R19 324 449) and is made up as follows:

Provision for Long-term Service	10 715 476
Provision for Rehabilitation of Land-fill Sites	<u>9 950 010</u>
	<u><u>20 665 486</u></u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 5 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R 293 394 651 as at 30 June 2010 (30 June 2009: R191 456 712) and is made up as follows:

Consumer Deposits	Note 6	14 314 925
Provisions	Note 7	17 515 916
Creditors	Note 8	105 419 547
Unspent Conditional Grants and Receipts	Note 9	25 583 449
VAT	Note 10	35 824 466
Bank Overdraft	Note 21	21 866 645
Current Portion of Long-term Liabilities	Note 3	73 082 032
		<u>293 606 981</u>

Non-current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R 3 046 175 296 as at 30 June 2010 (30 June 2009: R3 172 962 007).

An audit of all assets was done during the year in the process of compiling a GRAP-compliant asset register. As a result of this, the carrying value increased to R2 380 606 871 as at 30 June 2009.

Refer to Note 12 and Appendices "B, C and E (2)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R 576 254 as at 30 June 2010 (30 June 2009: R1 504 249).

These are assets which cannot physically be identified and verified and are in respect of computer software and water rights / servitudes obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 13 and Appendix "B" for more detail.

13. INVESTMENT PROPERTIES

The net value of Investment Properties were R287 904 475 as at 30 June 2010 (30 June 2009: R288 337 604).

An audit of all assets was done during the year during the process of compiling the asset register. As a result of this, assets to the value of R288 337 604, not previously recorded, have been brought into the municipality's registers as at 30 June 2009.

Refer to Note 14 and Appendix "B" for more detail.

14. NON-CURRENT INVESTMENTS

The municipality held Investments to the value of R 85 812 121 as at 30 June 2010 (30 June 2009: R75 066 238).

The bulk of these investments are ring-fenced for purposes of the Capital Replacement Reserve, Unspent Conditional Grants and security for Long-term Liabilities, with the result that no significant amounts are available for own purposes.

Refer to Note 15 for more detail.

15. LONG-TERM RECEIVABLES

Long-term Receivables of R 6 608 625 at 30 June 2010 (30 June 2009: R5 303 802) is made up as follows:

Capitalised Arrear Services	9 670 725
	<u>9 670 725</u>
Less: Short-term portion included in Current Assets	8 417 177
	<u>1 253 548</u>

The substantial decrease in Long-term Receivables is attributed to the write-off of long outstanding amounts to the Provision for Doubtful Debts.

Refer to Note 16 for more detail.

16. CURRENT ASSETS

Current Assets amounted R 81 505 518 as at 30 June 2010 (30 June 2009: R 93 031 003) and is made up as follows:

Inventory	Note 17	4 770 787
Non-current Assets Held-for-Sale	Note 18	73 188
Consumer Debtors	Note 19	56 583 856
Other Debtors	Note 20	13 961 940
Bank, Cash and Cash Equivalents	Note 21	2 735 226
Operating Lease Assets	Note 22	48 573
Current Portion of Long-term Debtors	Note 16	8 417 177
		<u>86 590 747</u>

The substantial increase is due to the provision for consumption of metered services from the last reading date to 30 June 2009. Council's Credit Control Policy will have to be applied strictly and adhered to in all circumstances in order to recover monies due to the municipality. The non-collection of debt also has a negative impact on the municipality's cashflow.

Refer to the indicated Notes for more detail.

17. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 9 and 27, and Appendix "F" for more detail.

18. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 57.

19. JOHANNES STEGMANN THEATRE DONORS TRUST ACCOUNT

The Johannes Stegmann Theatre operates a Trust Banking Account which does not form part of the municipality's operating account. The Annual Financial Statements of the account is attached to the Annual Financial Statements of the municipality per Appendix "G".

20. EXPRESSION OF APPRECIATION

We are grateful to the Executive Mayor, members of the Mayoral Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2010

GOVAN MBEKI MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

		Actual	
	Note	2010 R	2009 R
NET ASSETS AND LIABILITIES			
Net Assets		3 119 643 494	3 282 213 382
Accumulated Surplus / (Deficit)	2	3 119 643 494	3 282 213 382
Non-Current Liabilities		95 274 297	162 404 103
Long-term Liabilities	3	26 795 331	99 801 946
Retirement Benefit Liabilities	4	47 813 481	43 277 709
Non-current Provisions	5	20 665 486	19 324 449
Current Liabilities		293 606 981	191 456 712
Consumer Deposits	6	14 314 925	12 741 468
Provisions	7	17 515 916	18 137 858
Creditors	8	105 419 547	109 649 369
Unspent Conditional Grants and Receipts	9	25 583 449	705 457
VAT Payable	10	35 824 466	25 644 516
Bank Overdraft	21	21 866 645	21 613 913
Current Portion of Long-term Liabilities	3	73 082 032	2 964 132
Total Net Assets and Liabilities		3 508 524 772	3 636 074 198
ASSETS			
Non-Current Assets		3 421 721 695	3 543 173 900
Property, Plant and Equipment	12	3 046 175 296	3 172 962 007
Intangible Assets	13	576 254	1 504 249
Investment Property	14	287 904 475	288 337 604
Non-current Investments	15	85 812 121	75 066 238
Long-term Receivables	16	1 253 548	5 303 802
Current Assets		86 803 077	92 900 298
Inventory	17	4 770 787	4 518 231
Non-current Assets Held-for-Sale	18	73 188	-
Consumer Debtors	19	56 583 856	61 121 004
Other Debtors	20	14 174 270	15 808 623
Bank, Cash and Cash Equivalents	21	2 735 226	8 350 248
Operating Lease Assets	22	48 573	40 091
Current Portion of Long-term Receivables	16	8 417 177	3 062 100
Total Assets		3 508 524 772	3 636 074 198

GOVAN MBEKI MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

Budget				Actual	
2009 R	2010 R		Note	2010 R	2009 R
REVENUE					
124 701 900	124 577 600	Property Rates	23	120 904 558	117 369 910
-	-	Property Rates - Penalties imposed and collection charges	26	3 571 847	4 170 718
386 739 400	446 816 200	Service Charges	24	496 736 327	356 676 963
3 600 200	3 568 400	Rental of Facilities and Equipment	25	4 874 116	3 475 793
8 047 600	6 904 900	Interest Earned - External Investments	26	12 542 315	7 446 567
31 000 000	42 729 400	Interest Earned - Outstanding Debtors	26	29 586 796	34 368 023
5 865 000	4 332 400	Fines		4 184 283	2 641 218
61 000	630 700	Licences and Permits		124 827	522
8 000 000	10 455 400	Income for Agency Services		11 082 238	8 076 176
172 830 000	249 604 285	Government Grants and Subsidies Received	27	242 928 299	186 355 243
1 403 000	1 000 500	Public Contributions and Donations	28	220 164	238 810
22 533 400	58 279 800	Other Income	29	29 161 861	24 892 907
3 000 000	3 000 000	Gains on Disposal of Property, Plant and Equipment		4 473 541	1 523 683
767 781 500	951 899 585	Total Revenue		960 391 171	747 236 533
EXPENDITURE					
214 627 251	266 689 511	Employee Related Costs	30	273 171 517	225 100 156
12 592 600	11 189 000	Remuneration of Councillors	31	12 176 644	11 954 452
9 200 000	4 700 000	Collection Costs		3 443 847	8 328 709
67 817 700	70 434 700	Depreciation and Amortisation	32	251 578 628	240 679 821
61 042 800	55 258 100	Impairment Losses	33	125 456 962	83 902 300
38 426 799	34 069 377	Repairs and Maintenance		29 528 403	36 665 503
17 336 700	24 244 200	Finance Costs	34	15 027 549	13 983 584
196 044 500	218 832 300	Bulk Purchases	35	240 613 146	182 827 034
26 196 400	41 735 831	Contracted Services	36	40 701 271	34 392 141
112 099 150	164 204 297	Grants and Subsidies Paid	37	60 060 818	51 304 002
63 690 900	113 549 969	General Expenses	38	78 136 742	70 253 406
-	-	Loss on disposal of Property, Plant and Equipment		-	94 978
819 074 800	1 004 907 285	Total Expenditure		1 129 895 527	959 486 087
(51 293 300)	(53 007 700)	SURPLUS / (DEFICIT) FOR THE YEAR		(169 504 356)	(212 249 555)
Refer to Appendix E(1) for explanation of budget variances					

GOVAN MBEKI MUNICIPALITY
MENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUN

Description	Total for Accumulated Surplus / (Deficit)	Total
	R	R
2009		
Balance at 30 June 2008	672 988 577	672 988 577
Change in Accounting Policy (Note 40)	-	-
Correction of Error (Note 41)	152 413 900	152 413 900
Restated Balance	825 402 476	825 402 476
Surplus / (Deficit) for the year	(212 249 555)	(212 249 555)
Transfer to CRR	-	-
Property, Plant and Equipment purchased	0	0
Donated / Contributed PPE	-	-
Grants utilised to obtain PPE	(0)	(0)
Asset disposals	-	-
Offsetting of Depreciation	(328 235)	(328 235)
	612 824 687	612 824 687
Implementation of GRAP 17	2 669 388 695	2 669 388 695
Balance at 30 June 2009	3 282 213 382	3 282 213 382
2010		
Change in Accounting Policy (Note 40)	-	-
Correction of Error (Note 41)	6 934 468	6 934 468
Restated Balance	3 289 147 850	3 289 147 850
Surplus / (Deficit) for the year	(169 504 356)	(169 504 356)
Transfer to CRR	-	-
Property, Plant and Equipment purchased	-	-
Donated / Contributed PPE	-	-
Grants utilised to obtain PPE	-	-
Asset disposals	-	-
Offsetting of Depreciation	0	0
	3 119 643 494	3 119 643 494
Implementation of GRAP 17	-	-
Balance at 30 June 2010	3 119 643 494	3 119 643 494
	0	0

Details on the movement of the Funds and Reserves are set out in Note 2.

GOVAN MBEKI MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

		Actual	
	Note	2010 R	2009 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		879 133 231	656 868 239
Cash paid to Suppliers and Employees		(747 810 217)	(588 012 524)
Cash generated from / (utilised in) Operations	42	131 323 013	68 855 715
Interest received	26	12 542 315	7 446 567
Interest paid	34	(15 027 549)	(13 983 584)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		128 837 779	62 318 698
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	12	(123 264 255)	(94 015 411)
Purchase of Intangible Assets	13	(239 725)	-
Proceeds on Disposal of Property, Plant and Equipment		4 546 729	1 523 683
Decrease / (Increase) in Non-current Investments	15	(10 745 883)	(4 577 124)
Decrease / (Increase) in Long-term Receivables	16	(2 113 683)	(527 268)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(131 816 818)	(97 596 119)
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised	3	(0)	17 506 633
Loans repaid	3	(2 888 716)	(942 130)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		(2 888 716)	16 564 503
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	21	(5 867 754)	(18 712 918)
Cash and Cash Equivalents at the beginning of the year		(13 263 665)	5 449 253
Cash and Cash Equivalents at the end of the year		(19 131 419)	(13 263 665)

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an *Accrual Basis* of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

These Annual Financial Statements have been prepared in accordance with the Accounting Standards as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008, and also in terms of the standards and principles contained in Directives 4 and 5 issued by the ASB in March 2009.

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2009 and 30 June 2010 the municipality has adopted the accounting framework as set out above. The details of any resulting changes in accounting policy and comparative restatements are set out in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions, on the municipality's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 9.2 on *Revenue from Exchange Transactions* and Accounting Policy 9.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GAMAP 9 (*Revenue*) as far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 5.1 on Financial Assets Classification and Accounting Policy 5.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in IAS 32 (*Financial Instruments – Presentation*) and IAS 39 (*Financial Instruments – Recognition and Measurement*).

1.2.3 Impairment of Financial Assets

Accounting Policy 5.4 on *Impairment of Financial Assets* describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39 (*Financial Instruments - Recognition and Measurement*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

1.2.3 Impairment of Financial Assets (continued)

- ◆ Impairment of Trade Receivables:
The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

1.2.4 Useful lives of Property, Plant and Equipment

As described in Accounting Policies 2.3, 3.2 and 4.2, the municipality depreciates / amortises its Property, Plant and Equipment, Investment Property and Intangible Assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 Impairment: Write-down of PPE and Inventories

Accounting Policy 3.9 on *PPE – Impairment of Assets* and Accounting Policy 4.2 on *Intangible Assets – Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 8.2 on *Inventory – Subsequent Measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of PPE, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17 (*Property, Plant and Equipment*), GRAP 12 (*Inventory*) and GRAP 102 (*Intangible Assets*). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the NRV for Inventories involves significant judgment by management.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 12.2, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

1. BASIS OF PRESENTATION (continued)

1.2.7 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- ◆ GRAP 18 Segment Reporting - issued March 2005
- ◆ GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- ◆ GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- ◆ GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- ◆ GRAP 25 Employee Benefits - issued December 2009
- ◆ GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- ◆ GRAP 103 Heritage Assets - issued July 2008
- ◆ GRAP 104 Financial Instruments - October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5, paragraph 29, allows that the municipality may select to apply the principles established in a Standard of GRAP that has been issued, but is not yet in effect, in developing an appropriate accounting policy dealing with a particular transaction or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

1. BASIS OF PRESENTATION (continued)

1.6 Standards, Amendments to Standards and Interpretations Issued but not yet Effective (continued)

The Municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

- ◆ Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
- ◆ Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
- ◆ Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

- ◆ IAS 36 Impairment of assets - amended version effective 1 January 2010
- ◆ IAS 39 Financial Instruments: Recognition and Measurement - amended version effective 1 January 2010

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

2. PROPERTY, PLANT AND EQUIPMENT (continued)

2.1 Initial Recognition (continued)

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

2. PROPERTY, PLANT AND EQUIPMENT (continued)

2.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Buildings		Other	
Improvements	25 - 30	Specialist Vehicles	10 - 15
		Other Vehicles	5 - 15
Infrastructure		Office Equipment	3 - 15
Roads and Paving	10 - 100	Furniture and Fittings	5 - 15
Pedestrian Malls	15 - 30	Watercraft	15 - 20
Electricity	15 - 60	Bins and Containers	5 - 15
Water	15 - 100	Specialised Plant and	
Sewerage	15 - 60	Equipment	10 - 15
		Other Plant and	
Community		Equipment	2 - 15
Community Facilities	25 - 30		
Recreational Facilities	15 - 30		
Security	15 - 25		

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

2.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

2.5 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

2. PROPERTY, PLANT AND EQUIPMENT (continued)

2.6 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

2.7 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

Subsequent to measurement, heritage assets are carried at cost less impairment losses.

2.8 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

2.9 Derecognition of Property, Plant and Equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from sales proceeds are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

2. PROPERTY, PLANT AND EQUIPMENT (continued)

2.10 Impairment

2.10.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of a cash-generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a cash generating asset is the present value of the asset's remaining service potential.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- ◆ To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

2. PROPERTY, PLANT AND EQUIPMENT (continued)

2.10 Impairment (continued)

2.10.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- ◆ To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

3. INTANGIBLE ASSETS

3.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- ◆ It is technically feasible to complete the intangible asset so that it will be available for use;
- ◆ Management intends to complete the intangible asset and use or sell it;
- ◆ There is an ability to use or sell the intangible asset;
- ◆ It can be demonstrated how the intangible asset will generate probable future economic benefits;
- ◆ Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- ◆ The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a *Straight-line Basis* over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21 / IAS 36.

Intangible Assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

3. INTANGIBLE ASSETS (continued)

3.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period – however, such intangible assets are subject to an annual impairment test.

Intangible Assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

3.3 Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

4. INVESTMENT PROPERTY

4.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- ◆ All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- ◆ Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- ◆ A building owned by the municipality (or held by the entity under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- ◆ A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

4. INVESTMENT PROPERTY (continued)

4.1 Initial Recognition (continued)

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- ◆ Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- ◆ Property being constructed or developed on behalf of third parties;
- ◆ Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- ◆ Property that is being constructed or developed for future use as investment property;
- ◆ Property that is leased to another entity under a finance lease;
- ◆ Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- ◆ Property held for strategic purposes or service delivery.

4.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

5. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities* or *Equity Instruments* in accordance with the substance of the contractual agreement.

Initial Recognition

Financial assets and financial liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of financial instruments are determined as follows:

- ♦ The fair values of quoted investments are based on current bid prices.
- ♦ If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised Cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the *Effective Interest Rate Method* of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

5. FINANCIAL INSTRUMENTS (continued)

5.1 Financial Assets – Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with IAS 39.09 the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

- ◆ **Loans and Receivables** are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Trade and Other Receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to group entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables.
- ◆ **Held-to-Maturity Investments** are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.
- ◆ **Financial Assets at Fair Value through Profit or Loss** are financial assets that meet either of the following conditions:
 - (i) They are classified as held for trading; or
 - (ii) Upon initial recognition they are designated as at fair value through the Statement of Financial Performance.
- ◆ **Available for Sale Investments** are financial assets that are designated as available for sale or are not classified as:
 - (i) Loans and Receivables;
 - (ii) Held-to-Maturity Investments; or
 - (iii) Financial Assets at Fair Value through Profit and Loss

The municipality may have the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of IAS 39.09
Listed Investments (Shares)	Held at fair value through profit or loss
Unlisted Investments (Stock)	Held at fair value through profit or loss
Bank, Cash and Cash Equivalents	Available for sale
Bank, Cash and Cash Equivalents – Call Deposits	Available for sale
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held to maturity
Bank, Cash and Cash Equivalents – Notice Deposits	Held to maturity

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

5. FINANCIAL INSTRUMENTS (continued)

5.1 Financial Assets (continued)

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as Financial Assets: Available for Sale.

5.2 Financial Liabilities – Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are two main categories of *Financial Liabilities*, the classification based on how they are measured.

Financial liabilities may be measured at:

- (i) Fair value through profit or loss;
- (ii) Other financial liabilities (Financial liabilities measured at amortised cost); or
- (iii) Financial guarantee contract.

Financial Liabilities that are measured at Fair Value through Profit or Loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities are classified as *Other Financial Liabilities* in accordance with IAS 39.09

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

The municipality may have the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- ◆ Long-term Liabilities
- ◆ Creditors
- ◆ Bank Overdraft
- ◆ Short-term Loans
- ◆ Current Portion of Long-term Liabilities
- ◆ Consumer Deposits

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

5. FINANCIAL INSTRUMENTS (continued)

5.3 Initial and Subsequent Measurement

5.3.1 Financial Assets:

Held-to-maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with revenue recognised on an *Effective Yield Basis*.

Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Rate Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Financial Assets at Fair Value are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Available-for-Sale Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

5.3.2 Financial Liabilities:

Financial Liabilities at Fair Value through Profit or Loss

Financial Liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

5. FINANCIAL INSTRUMENTS (continued)

5.3 Initial and Subsequent Measurement (continued)

5.3.2 Financial Liabilities (continued)

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Financial Guarantee Contracts

Financial Guarantee Contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due.

Financial guarantee contract liabilities are initially measured at fair value. The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation.

5.4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

5.4.1 Available-for-Sale Financial Assets:

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial Performance even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from net assets and recognised in the Statement of Financial Performance is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in Statement of Financial Performance.

Impairment losses recognised in the Statement of Financial Performance for an investment in an equity instrument classified as available-for-sale are not reversed through the Statement of Financial Performance

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

5. FINANCIAL INSTRUMENTS (continued)

5.4 *Impairment of Financial Assets (continued)*

5.4.1 Available-for-Sale Financial Assets (continued)

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in the Statement of Financial Performance, the impairment loss must be reversed, with the amount of the reversal recognised in the Statement of Financial Performance.

5.4.2 Financial Assets carried at Amortised Cost

Accounts Receivable encompass long-term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivable is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risks characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

5. FINANCIAL INSTRUMENTS (continued)

5.4.2 Financial Assets carried at Amortised Cost (continued)

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

5.5 *Derecognition of Financial Assets*

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

5.6 *Derecognition of Financial Liabilities*

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality transfers a financial asset if either it transfers the contractual rights to receive the cash flows of the financial asset or it retains the contractual rights to receive the cash flows of the financial asset.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

6. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its use of financial instruments:

- ◆ Credit Risk
- ◆ Liquidity Risk
- ◆ Market Risk

Risks and exposure are disclosed as follows:

Credit Risk

- ◆ Credit risk is the risk of financial loss to the municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the municipality's receivables from customers and investment securities.
- ◆ Each class of financial instrument is disclosed separately.
- ◆ Maximum exposure to credit risk not covered by collateral is specified.
- ◆ Financial instruments covered by collateral are specified.

Liquidity Risk

- ◆ Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.
- ◆ A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- ◆ Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- ◆ A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

6. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES (continued)

Market Risk

- ◆ Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
- ◆ The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk.
- ◆ A sensitivity analysis for each of the market risks.

7. INVENTORIES

7.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

7.2 Subsequent Measurement

7.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods:

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

7. INVENTORIES (continued)

7.2 Subsequent Measurement (continued)

7.2.2 Water Inventory:

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

7.2.3 Unsold Properties:

Unsold properties are valued at the lower of cost and net realisable value on a *Weighted Average Cost Basis*. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

7.2.4 Other Arrangements:

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

8. NON-CURRENT ASSETS HELD-FOR-SALE

8.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

8.2 Subsequent Measurement

Non-current Assets and Disposal Groups classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held-for-sale, or while it is part of a disposal group classified as held-for-sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held-for-sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held-for-sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

9. REVENUE RECOGNITION

9.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

9. REVENUE RECOGNITION (continued)

9.1 General (continued)

Revenue from *Exchange Transactions* refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from *Non-exchange Transactions* refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

9.2 Revenue from Exchange Transactions

9.2.1 Service Charges

Service charges are levied in terms of approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property and water consumption, using the tariffs approved by Council, and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

9. REVENUE RECOGNITION (continued)

9.2 Revenue from Exchange Transactions (continued)

9.2.2 Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made seven days before year-end are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

9.2.3 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- ◆ Interest earned on Trust Funds is allocated directly to the fund.
- ◆ Interest earned on Unspent Conditional Grants is allocated directly to the Creditor: Unspent Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

9.2.4 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease agreement.

9.2.5 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

9.2.6 Royalties

Royalties are recognised on an *Accrual Basis* in accordance with the substance of the relevant agreement. Royalties determined on a time basis, are recognised on a *Straight-line Basis* over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

9. REVENUE RECOGNITION (continued)

9.2 Revenue from Exchange Transactions (continued)

9.2.7 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant advertised tariff. This includes the issuing of licences and permits.

9.2.8 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

9.2.9 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- ◆ The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- ◆ The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- ◆ The amount of revenue can be measured reliably.
- ◆ It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- ◆ The costs incurred or to be incurred in respect of the transaction can be measured reliably.

9.3 Revenue from Non-exchange Transactions

9.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

9. REVENUE RECOGNITION (continued)

9.3 Revenue from Non-exchange Transactions (continued)

9.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

9.3.3 Public Contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are available for use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

9.3.4 Other Donations and Contributions

Donations and Contributions are recognised on a *Cash-receipt Basis* or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

9.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

10. GOVERNMENT GRANTS AND RECEIPTS

Government Grants and Receipts are recognised as revenue when:

- ♦ It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- ♦ The amount of the revenue can be measured reliably; and
- ♦ To the extent that there has been compliance with any restrictions associated with the grant.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

11. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

11. PROVISIONS (continued)

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

11.1 Provisions for Restructuring Costs

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - ◆ The business or part of a business concerned;
 - ◆ The principal locations affected;
 - ◆ The location, function, and approximate number of employees who will be compensated for terminating their services;
 - ◆ The expenditures that will be undertaken; and
 - ◆ When the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

12. EMPLOYEE BENEFITS

12.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as a provision.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

12.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

12.2.1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

12. EMPLOYEE BENEFITS (continued)

12.2 Post-employment Benefits (continued)

12.2.2 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds, with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the *Corridor Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

Long-service Allowance:

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. *The Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

12. EMPLOYEE BENEFITS (continued)

12.2 Post-employment Benefits (continued)

12.2.2 Defined Benefit Plans (continued)

Provincially-administered Defined Benefit Plans:

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the *Projected Unit Credit Method* basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities

Defined Benefit Pension Plans:

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the *Corridor Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

13. LEASES

13.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

13.2 The Municipality as Lessee

13.2.1 Finance Leases

Where the municipality enters into a finance lease, Property, Plant and Equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the *Effective Interest Rate Method*. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the *Effective Interest Rate Method*. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

13.2.2 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

13. LEASES (continued)

13.3 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental revenue is recognised on a *Straight-line Basis* over the term of the relevant lease.

14. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5 and ASB Directive 3.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established – the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use have been completed.

Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the municipality shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

15. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- ◆ Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- ◆ Expect to be repaid in future; or
- ◆ Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

16. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the *Cash Basis*.

17. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

18. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

20. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

22. COMMITMENTS

Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- ◆ Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- ◆ Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- ◆ Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- ◆ Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- ◆ Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

23. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

24. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in notes to the Annual Financial Statements.

26. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in notes to the Annual Financial Statements.

27. COMPARATIVE INFORMATION

27.1 Prior year comparatives:

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1. GENERAL INFORMATION

Govan Mbeki Municipality (the municipality) is a local government institution in Secunda, southwestern Mpumalanga, and is one of seven local municipalities under the jurisdiction of the Gert Sibande District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Liabilities:

	2010 R	2009 R
Capital Replacement Reserve (CRR)	47 249	232 160
Capitalisation Reserve	330 495 545	333 719 426
Donations and Public Contributions Reserve	10 295 484	122 990
Government Grants Reserve	1 856 557 616	1 914 223 499
Accumulated Surplus / (Deficit) due to the results of Operations	922 247 600	1 033 915 307
Total Accumulated Surplus	<u>3 119 643 494</u>	<u>3 282 213 382</u>

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The **Donations and Public Contributions Reserve** equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3. LONG-TERM LIABILITIES

Annuity Loans	29 877 363	32 766 078
Other Loans	70 000 000	70 000 000
Sub-total	99 877 363	102 766 078
Less: Current Portion transferred to Current Liabilities:-	73 082 032	2 964 132
Annuity Loans	73 082 032	2 964 132
Total Long-term Liabilities	26 795 331	99 801 946

3.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 1 to 11 (2009: 1 to 11) years and at interest rates varying from 8,93% to 16,50% (2009: 8,93% to 16,50%) per annum. Annuity Loans are not secured.

Other Loans are repaid over a period of 2 (2009: 2) years and at interest rates varying from 15,25% to 16,50% (2009: 15,25% to 16,50%) per annum. Other Loans are secured over fixed deposits held by the municipality.

R85 443 121 (2009: R74 697 238) has been invested specifically in a ring-fenced account for the repayment of long-term liabilities. See Notes 15 and 45 for more detail.

Refer to Appendix "A" for more detail on Long-term Liabilities.

4. RETIREMENT BENEFIT LIABILITIES

4.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	43 277 709	40 210 356
Contributions to Provision	6 789 132	5 241 045
Balance at end of Year	50 066 841	45 451 401
Transfer to Current Provisions	(2 253 360)	(2 173 692)
Total Post-retirement Health Care Benefits Liability	47 813 481	43 277 709

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2009 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	86	101
In-service Members Non - members	1 354	-
Continuation Members (Retirees, widowers and orphans)	81	84
Total Members	1 521	185

The liability in respect of past service has been estimated as follows (R million):

In-service Members	14 571	9 100
Continuation Members	29 707	30 562
Total Liability	44 278	39 662

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas (until 30/06/2009)
- Keyhealth

The Current-service Cost for the year ending 30 June 2010 is estimated to be R680 598, whereas the cost for the ensuing year is estimated to be R1 090 600 (2009: R834 560 and R680 598 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.19%	9.22%
Health Care Cost Inflation Rate	7.25%	7.58%
Net Effective Discount Rate	1.80%	1.53%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	39 662 228	41 161 808
Current service costs	680 598	834 560
Interest cost	3 560 576	4 406 484
Benefits paid	(2 173 692)	(1 986 618)
Actuarial losses / (gains)	2 547 958	(4 754 007)

Present Value of Fund Obligation at the end of the Year	44 277 668	39 662 228
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Actuarial losses / (gains) unrecognised	5 789 173	5 789 173
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Total Recognised Benefit Liability	50 066 841	45 451 401
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	44 277 668	39 662 228
Deficit	44 277 668	39 662 228
Unrecognised Actuarial Gains / (Losses)	5 789 173	5 789 173

Total Benefit Liability	50 066 841	45 451 401
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	680 598	834 560
Interest cost	3 560 576	4 406 484
Actuarial losses / (gains)	-	-

Total Post-retirement Benefit included in Employee Related Costs (Note 30)	4 241 174	5 241 045
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The history of experienced adjustments is as follows:

	2010 R	2009 R	2008 R	2007 R	2006 R
Present Value of Defined Benefit Obligation	44 277 668	39 662 228	41 161 808	39 943 719	37 815 969
Deficit	44 277 668	39 662 228	41 161 808	39 943 719	37 815 969
Experienced adjustments on Plan Liabilities	(3 044 359)	(2 687 301)	(1 260 526)	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2004 reporting period.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	600 100	779 200
Effect on the defined benefit obligation	6 134 022	4 971 320
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(496 400)	(640 600)
Effect on the defined benefit obligation	(5 094 900)	(4 167 429)

The municipality expects to make a contribution of R5 058 million (2009: R4 241 million) to the Defined Benefit Plans during the next financial year.

Refer to Note 50 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

5. NON-CURRENT PROVISIONS

Provision for Long Service Awards	10 715 476	9 374 439
Provision for Rehabilitation of Land-fill Sites	9 950 010	9 950 010
Total Non-current Provisions	20 665 486	19 324 449

The movement in Non-current Provisions are reconciled as follows:

	Long Service Awards R	Land-fill Sites R
30 June 2010		
Balance at beginning of year	9 374 439	9 950 010
Contributions to provision	2 972 900	-
Transfer to current provisions	(1 631 862)	-
Balance at end of year	10 715 476	9 950 010
30 June 2009		
Balance at beginning of year	9 363 620	9 950 010
Contributions to provision	1 723 068	-
Transfer to current provisions	(1 712 249)	-
Balance at end of year	9 374 439	9 950 010

5.1 Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter, until 45 years of service (inclusive), to employees. Furthermore a Retirement Gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 1 440 (2009: 1 462) employees were eligible for Long-services Awards.

The Current-service Cost for the year ending 30 June 2010 is estimated to be R1 764 437, whereas the cost for the ensuing year is estimated to be R1 775 524 (2009: R962 940 and R1 764 437 respectively).

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9.60%	9.17%
Cost Inflation Rate	6.40%	6.56%
Net Effective Discount Rate	2.50%	2.45%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	11 086 688	10 342 747
Current service costs	1 764 437	962 940
Interest cost	919 558	1 080 273
Benefits paid	(1 712 249)	(979 127)
Actuarial losses / (gains)	288 905	(320 146)

Present Value of Fund Obligation at the end of the Year	12 347 338	11 086 688
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Actuarial losses / (gains) unrecognised	-	-
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Total Recognised Benefit Liability	12 347 338	11 086 688
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	12 347 338	11 086 688
Deficit	12 347 338	11 086 688
Actuarial gains / (losses) not recognised	-	-

Total Benefit Liability	12 347 338	11 086 688
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 764 437	962 940
Interest cost	919 558	1 080 273
Actuarial losses / (gains)	288 905	(320 146)

Total Post-retirement Benefit included in Employee Related Costs (Note 30)	2 972 900	1 723 068
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The history of experienced adjustments is as follows:

	2010 R	2009 R	2008 R	2007 R	2006 R
Present Value of Defined Benefit Obligation	12 347 338	11 086 688	10 342 747	10 342 747	9 369 012
Deficit	12 347 338	11 086 688	10 342 747	10 342 747	9 369 012
Experienced adjustments on Plan Liabilities	323 583	83 218	(403 784)	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2004 reporting period.

	2010 R	2009 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	155 685	164 367
Effect on the defined benefit obligation	789 861	728 897
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(138 963)	(146 853)
Effect on the defined benefit obligation	(715 234)	(657 486)

The municipality expects to make a contribution of R2 799 million (2009: R2 684 million) to the defined benefit plans during the next financial year.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

5.2 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R9,9 million (2009: R 9,9 million) to restore the site at the end of its useful life, estimated to be in 2018. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.

6. CONSUMER DEPOSITS

Electricity and Water	14 314 925	12 741 468
Total Consumer Deposits	14 314 925	12 741 468
Guarantees held in lieu of Electricity and Water Deposits	530 597	725 172

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

7. PROVISIONS

Performance Bonus	445 063	755 331
Staff Leave	13 185 631	13 496 586
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 4 above)	2 253 360	2 173 692
Current Portion of Non-Current Provisions (See Note 5 above):	1 631 862	1 712 249
Long-term Service	1 631 862	1 712 249
Total Provisions	17 515 916	18 137 858

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The movement in current provisions are reconciled as follows:

Current Provisions:

	Performance Bonuses R	Staff Leave R
30 June 2010		
Balance at beginning of year	755 331	13 496 586
Contributions to provision	(310 268)	3 602 765
Expenditure incurred	-	(3 913 719)
Balance at end of year	445 063	13 185 631
30 June 2009		
Balance at beginning of year	949 098	10 906 454
Contributions to provision	315 219	5 518 603
Expenditure incurred	(508 986)	(2 928 472)
Balance at end of year	755 331	13 496 586

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Current Portion of Non-Current Provisions:

	Long-term Service R	Post-retirement R	Land-fill Sites R
30 June 2010			
Balance at beginning of year	1 712 249	2 173 692	-
Transfer from non-current	1 631 862	2 253 360	-
Expenditure incurred	(1 712 249)	(2 173 692)	-
Balance at end of year	<u>1 631 862</u>	<u>2 253 360</u>	<u>-</u>
30 June 2009			
Balance at beginning of year	979 127	1 986 618	-
Transfer from non-current	1 712 249	2 173 692	-
Expenditure incurred	(979 127)	(1 986 618)	-
Balance at end of year	<u>1 712 249</u>	<u>2 173 692</u>	<u>-</u>
		2010 R	2009 R

8. CREDITORS

Trade Creditors	2 356 364	3 900 530
Payments received in Advance	40 321 300	37 736 683
Retentions	21 487 979	18 806 685
Sundry Deposits	1 200 223	1 092 152
Other Creditors	40 053 682	48 113 319
Total Creditors	<u>105 419 547</u>	<u>109 649 369</u>

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

9. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

9.1 Conditional Grants from Government

	25 583 449	705 457
National Government Grants	303 645	2 043
Provincial Government Grants	25 158 328	487 193
Local Government Grants	121 476	216 221

The amount for Unspent Conditional Grants and Receipts are deposited in ring-fenced investment accounts until utilised.

See Note 27 for the reconciliation of Grants from Government. The Unspent Grants are cashbacked by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

10. VAT PAYABLE

Vat Payable	<u>35 824 466</u>	<u>25 644 516</u>
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

11. OPERATING LEASE LIABILITIES / PAYABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. No liability existed at 30 June as none of the contracts has any escalation clauses.

11.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 3 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

11.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Office Equipment:

	3 190 535	332 425
Up to 1 year	1 460 454	332 425
2 to 3 years	1 730 081	-
More than 3 years	-	-

Total Operating Lease Arrangements

3 190 535	332 425
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The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	1 523 253	569 872
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Total Operating Lease Expenses

1 523 253	569 872
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The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:

- (i) The equipment shall remain the property of the rentor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.
- (iii) The equipment shall be returned in good order and condition to the rentor upon termination of the agreement.
- (iv) The municipality is forced to enter into a maintenance agreement with the rentor.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

12. PROPERTY, PLANT AND EQUIPMENT

30 June 2010

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Development Fund	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2009	537 912 737	2 244 061 777	356 362 493	4 624 136	30 000 863	-	3 172 962 007
Acquisitions	1 965 025	77 841 559	5 976 852	5 908 303	6 874 234	-	98 565 973
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions	-	18 777 931	5 920 351	-	-	-	24 698 283
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	(7 483 034)	(200 057 839)	(22 362 520)	-	(20 074 386)	-	(249 977 778)
Carrying value of Disposals:	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	(73 188)	-	(73 188)
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-
Carrying values at 30 June 2010	532 394 729	2 140 623 429	345 897 177	10 532 439	16 727 522	-	3 046 175 296

30 June 2009

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Development Fund	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2008	122 120 516	510 762 010	79 288 776	9 754	19 232 077	39 290 459	770 703 592
Acquisitions	2 045 606	36 009 967	141 679	-	16 964 909	-	55 162 161
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions:	677 955	33 551 157	-	4 624 136	-	-	38 853 249
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	(7 483 034)	(200 057 839)	(22 362 513)	-	(9 624 203)	-	(239 527 588)
Carrying value of Disposals:	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-
Capital under Construction - Completed	-	(4 721 873)	-	-	-	-	(4 721 873)
Other Movements	420 551 694	1 863 796 481	299 294 550	(9 754)	3 428 080	(39 290 459)	2 547 770 593
Carrying values at 30 June 2009	537 912 737	2 244 061 777	356 362 493	4 624 136	30 000 863	-	3 172 962 007

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

12.1 Assets pledged as security:

The municipality did not pledge any of its assets as security.

12.2 Impairment of Property, Plant and Equipment:

Impairment of property, plant and equipment was taken into consideration by the consultants, Bigen Africa Services Ltd, during the process of identifying, componentising and measuring immovable assets and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Impairment were not calculated separately and therefore no impaired values are disclosed.

12.3 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:

The Remaining Useful Life of property, plant and equipment was taken into consideration by the consultants, Bigen Africa Services Ltd, during the process of identifying, componentising and measuring immovable assets and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Change in Useful Life were not calculated separately and therefore no changes in values are disclosed.

12.4 Land and Buildings carried at Fair Value:

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

13. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

576 254

1 504 249

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Servitudes	Spatial Dev Plan	Valuation Roll	Total
Carrying values at 01 July 2009	586 211	9 937	353 014	555 088	1 504 249
Cost	1 872 600	12 961	1 765 070	926 438	4 577 069
Accumulated Amortisation	(1 286 389)	(3 024)	(1 412 056)	(371 350)	(3 072 819)
Acquisitions:	239 725	-	-	-	239 725
Purchased	239 725	-	-	-	239 725
Internally Developed	-	-	-	-	-
Amortisation:	(628 599)	(432)	(353 014)	(185 675)	(1 167 720)
Purchased	(628 599)	(432)	(353 014)	(185 675)	(1 167 720)
Internally Developed	-	-	-	-	-
Disposals:	-	-	-	-	-
At Cost	-	-	-	-	-
At Accumulated Amortisation	-	-	-	-	-
Transfers:	-	-	-	-	-
At Cost	-	-	-	-	-
At Accumulated Amortisation	-	-	-	-	-
Carrying values at 30 June 2010	197 337	9 505	-	369 413	576 254
Cost	2 112 325	12 961	1 765 070	926 438	4 816 794
Accumulated Amortisation	(1 914 988)	(3 456)	(1 765 070)	(557 025)	(4 240 539)

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

				2010 R	2009 R
	Computer Software	Servitudes	Spatial Dev Plan	Valuation Roll	Total
Carrying values at 01 July 2008	68 860	10 765	1 412 056	615 688	2 107 369
Cost	1 853 860	12 961	1 765 070	926 438	4 558 329
Accumulated Amortisation	(1 785 000)	(2 196)	(353 014)	(310 750)	(2 450 960)
Acquisitions:	-	-	-	-	-
Purchased	-	-	-	-	-
Internally Developed	-	-	-	-	-
Amortisation:	(57 814)	(432)	(353 014)	(307 844)	(719 104)
Purchased	(57 814)	(432)	(353 014)	(307 844)	(719 104)
Internally Developed	-	-	-	-	-
Disposals:	-	-	-	-	-
At Cost	-	-	-	-	-
At Accumulated Amortisation	-	-	-	-	-
Transfers:	575 165	(396)	(706 028)	247 244	115 985
At Cost	18 740	-	-	-	18 740
At Accumulated Amortisation	556 425	(396)	(706 028)	247 244	97 245
Carrying values at 30 June 2009	586 211	9 937	353 014	555 088	1 504 249
Cost	1 872 600	12 961	1 765 070	926 438	4 577 069
Accumulated Amortisation	(1 286 389)	(3 024)	(1 412 056)	(371 350)	(3 072 819)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 32).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

13.1 Significant Intangible Assets:

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in IAS 38 and SIC 32, are the following:

- (i) Website Costs incurred during the last two financial years have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

13.2 Intangible Assets with Indefinite Useful Lives:

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

13.3 Impairment of Intangible Assets:

Impairment of Intangible Assets was taken into consideration during the process of identifying, componentising and measuring property, plant and equipment and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Impairment were not calculated separately and therefore no impaired values are disclosed.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
14. INVESTMENT PROPERTY		
At Cost less Accumulated Depreciation	<u><u>287 904 475</u></u>	<u><u>288 337 604</u></u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	288 337 604	-
Cost	293 771 501	-
Accumulated Depreciation	(5 433 897)	-
Accumulated Impairment Losses	-	-
Acquisitions during the Year	-	-
Depreciation during the Year	(433 129)	(433 129)
Impairment Losses during the Year	-	-
Disposals during the Year:	-	-
At Cost	-	-
At Accumulated Depreciation	-	-
At Accumulated Impairment	-	-
Reversal of Impairment Losses during the Year	-	-
Transfers during the Year:	-	288 770 734
At Cost	-	293 771 501
At Accumulated Depreciation	-	(5 000 767)
At Accumulated Impairment	-	-
Carrying values at 30 June	287 904 475	288 337 604
Cost	293 771 501	293 771 501
Accumulated Depreciation	(5 867 026)	(5 433 897)
Accumulated Impairment	-	-
Estimated Fair Value of Investment Property at 30 June	<u><u>287 904 475</u></u>	<u><u>288 337 604</u></u>

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	4 150 857	2 833 578
Direct Operating Expenses - incurred to generate rental revenue	-	-
Direct Operating Expenses - incurred which did not generate rental revenue	-	-

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

14.1 Investment Property carried at Fair Value:

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

14.2 Impairment of Investment Property:

Impairment of Investment Property was taken into consideration by the consultants, Bigen Africa Services Ltd, during the process of identifying, componentising and measuring immovable assets and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Impairment were not calculated separately and therefore no impaired values are disclosed.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
15. NON-CURRENT INVESTMENTS		
Listed		
Listed Shares	369 000	369 000
Financial Instruments		
Fixed Deposits	85 443 121	74 697 238
Total Investments		
All Investments	85 812 121	75 066 238
Less: Short-term Portion transferred to Current Investments	-	-
Total Non-current Investments	85 812 121	75 066 238
Market valuation of Listed Investments		
Listed Shares	412 911	376 066

Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates.

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 9,42 % to 15,27 % per annum (2009: 9,42% to 15,27%).

Fixed Deposits of R74 697 238 (2009: R74 697 238) are ring-fenced for the purposes of repaying Long-term Liabilities as set out in Notes 3 and 45.

Deposits of R0 (2009: R0) are ring-fenced and attributable to the Capital Replacement Reserve.

16. LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2010			
Township Development	239 688	239 688	-
Capitalised Arrear Services	51 412 980	41 742 255	9 670 725
	<u>51 652 668</u>	<u>41 981 943</u>	9 670 725
Less: Current Portion transferred to Current Receivables:-			8 417 177
Township Development			-
Capitalised Arrear Services			8 417 177
Total Long-term Receivables			<u>1 253 548</u>
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2009			
Township Development	239 688	239 688	-
Capitalised Arrear Services	49 299 297	40 933 395	8 365 902
	<u>49 538 985</u>	<u>41 173 083</u>	8 365 902
Less: Current Portion transferred to Current Receivables:-			3 062 100
Township Development			-
Capitalised Arrear Services			3 062 100
Total Long-term Receivables			<u>5 303 802</u>

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R **2009**
R

TOWNSHIP DEVELOPMENT

No Development Loans are granted to officials and public anymore. The outstanding amount is in respect of loans granted before 01 July 2005 and will be recovered over the remaining period of the loan agreements.

CAPITALISED ARREAR SERVICES

Arrear amounts on services are capitalised on completion of a formal agreement or upon being handed over to attorneys for collection. These arrear amounts are then paid to the municipality in monthly instalments over a period not exceeding 60 months. No interest is charged on these amounts where the stipulations of the agreement are adhered to.

Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

2010
R **2009**
R

16.1 Reconciliation of the Provision for Impairment

Balance at beginning of year	41 173 083	23 737 339
Impairment Losses recognised	808 859	17 435 744
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	41 981 943	41 173 083

In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

17. INVENTORY

Consumable Stores - at cost	4 114 116	3 232 644
Maintenance Materials - at cost	356 033	981 208
Spare Parts - at cost	-	-
Water - at cost	300 638	304 380
Total Inventory	4 770 787	4 518 231

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

18. NON-CURRENT ASSETS HELD-FOR-SALE

Property Held-for-Sale - at cost	73 188	-
Total Non-current Assets Held-for-Sale	73 188	-
Liabilities associated with Assets classified as Held-for-Sale	-	-
Net Non-current Assets Held-for-Sale	73 188	-

18.1 Property Held-for-Sale

The municipality intends to dispose some of its Property, Plant and Equipment through public auction within the next ten months. No impairment loss was recognised on reclassification of the property as held-for-sale nor at 30 June 2010 (2009: R0).

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
19. CONSUMER DEBTORS		
	Gross Balances	Provision for Impairment
		Net Balances
As at 30 June 2010		
Service Debtors:	378 052 066	322 449 781
Assessment Rates	43 710 630	17 928 455
Electricity	66 482 898	52 341 363
Refuse	63 016 351	60 384 642
Sewerage	70 079 186	67 044 279
Water	134 763 001	124 751 042
Loan Instalments	13 030 877	12 511 745
Other Debtors	55 028 457	54 566 017
Total Consumer Debtors	446 111 399	389 527 544
	Gross Balances	Provision for Impairment
		Net Balances
As at 30 June 2009		
Service Debtors:	273 612 087	214 200 614
Assessment Rates	36 974 253	19 333 441
Electricity	34 234 068	21 970 656
Refuse	53 634 589	46 794 108
Sewerage	55 679 344	48 929 534
Water	93 089 833	77 172 875
Loan Instalments	10 660 219	10 232 441
Other Debtors	54 068 807	52 787 054
Total Consumer Debtors	338 341 113	277 220 109

Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables until the 7th of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

Assessment Rates Debtors are billed monthly, latest end of month. No interest is charged on trade receivables until the 7th of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

The municipality receives applications that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors.

	2010 R	2009 R
19.1 Ageing of Consumer Debtors		
Rates: Ageing		
<u>Current:</u>		
0 - 30 days	10 598 034	12 801 500
<u>Past Due:</u>		
31 - 60 Days	2 188 859	1 710 307
61 - 90 Days	1 207 806	1 293 398
91 - 120 Days	903 722	1 049 531
+ 120 Days	28 812 209	20 119 518
Total	43 710 630	36 974 253

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<i>Electricity: Ageing</i>		
<u><i>Current:</i></u>		
0 - 30 days	14 552 369	10 074 843
<u><i>Past Due:</i></u>		
31 - 60 Days	5 051 900	1 857 417
61 - 90 Days	2 446 901	1 218 390
91 - 120 Days	1 362 944	1 000 074
+ 120 Days	43 068 783	20 083 344
Total	66 482 898	34 234 068
<i>Refuse: Ageing</i>		
<u><i>Current:</i></u>		
0 - 30 days	3 314 781	4 145 109
<u><i>Past Due:</i></u>		
31 - 60 Days	1 821 299	1 443 927
61 - 90 Days	1 538 215	1 300 914
91 - 120 Days	1 299 261	1 247 604
+ 120 Days	55 042 795	45 497 035
Total	63 016 351	53 634 589
<i>Sewerage: Ageing</i>		
<u><i>Current:</i></u>		
0 - 30 days	4 001 475	3 631 160
<u><i>Past Due:</i></u>		
31 - 60 Days	2 169 619	1 597 382
61 - 90 Days	1 952 773	1 409 230
91 - 120 Days	1 509 016	1 397 860
+ 120 Days	60 446 303	47 643 712
Total	70 079 186	55 679 344
<i>Water: Ageing</i>		
<u><i>Current:</i></u>		
0 - 30 days	10 810 883	10 179 508
<u><i>Past Due:</i></u>		
31 - 60 Days	5 261 049	3 797 757
61 - 90 Days	4 013 804	3 102 214
91 - 120 Days	3 387 206	2 990 231
+ 120 Days	111 290 058	73 020 123
Total	134 763 001	93 089 833
<i>Loan Instalments: Ageing</i>		
<u><i>Current:</i></u>		
0 - 30 days	715 669	550 389
<u><i>Past Due:</i></u>		
31 - 60 Days	1 448 616	327 645
61 - 90 Days	433 316	293 275
91 - 120 Days	356 268	364 548
+ 120 Days	10 077 008	9 124 362
Total	13 030 877	10 660 219
<i>Other Debtors: Ageing</i>		
<u><i>Current:</i></u>		
0 - 30 days	445 750	780 857
<u><i>Past Due:</i></u>		
31 - 60 Days	577 177	575 644
61 - 90 Days	571 888	551 753
91 - 120 Days	498 729	543 060
+ 120 Days	52 934 913	51 617 493
Total	55 028 457	54 068 807

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
As at 30 June 2010 Consumer Debtors of R 28 276 009 (2009: R 26 493 517) were past due but not impaired. The age analysis of these Consumer Debtors are as follows:		
31 - 60 Days	7 776 617	1 382 449
61 - 90 Days	3 843 314	1 071 352
91 - 120 Days	1 187 111	823 421
+ 120 Days	15 468 968	23 216 295
Total	28 276 009	26 493 517

19.2 Summary of Debtors by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2010				
<u>Current:</u>				
0 - 30 days	27 241 471	14 694 253	663 723	1 839 515
<u>Past Due:</u>				
31 - 60 Days	14 016 145	3 611 911	325 437	565 026
61 - 90 Days	9 671 894	2 008 040	294 241	190 529
+ 90 Days	319 938 989	41 462 596	2 703 162	6 884 467
Sub-total	370 868 499	61 776 800	3 986 563	9 479 537
Less: Provision for Impairment	326 748 202	54 427 535	-	8 351 806
Total Debtors by Customer Classification	44 120 297	7 349 265	3 986 563	1 127 731
As at 30 June 2009				
<u>Current:</u>				
0 - 30 days	26 829 675	15 130 119	156 127	1 859 489
<u>Past Due:</u>				
31 - 60 Days	23 113 226	14 914 339	121 448	1 912 420
61 - 90 Days	8 306 190	3 371 324	65 108	1 477 935
+ 90 Days	198 889 389	36 615 410	582 045	52 228 071
Sub-total	257 138 479	70 031 192	924 728	57 477 915
Less: Provision for Impairment	185 322 773	50 472 317	-	41 425 020
Total Debtors by Customer Classification	71 815 706	19 558 876	924 728	16 052 895
			2010 R	2009 R

19.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	277 220 109	225 444 634
Impairment Losses recognised	124 648 103	66 466 555
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(12 340 669)	(14 691 080)
Amounts recovered	-	-
Balance at end of year	389 527 544	277 220 109

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
19.4 Ageing of impaired Consumer Debtors		
<u>Current:</u>		
0 - 30 days	16 131 115	7 535 879
<u>Past Due:</u>		
31 - 60 Days	10 741 903	9 927 630
61 - 90 Days	8 321 390	8 097 822
91 - 120 Days	8 130 034	7 769 487
+ 120 Days	346 203 102	243 889 291
Total	389 527 544	277 220 109

20. OTHER DEBTORS

Capital Projects	10 784 536	784 536
Insurance Claims	63 744	63 744
Sundry Deposits	337 202	337 202
Sundry Debtors	2 988 788	14 623 141
	<hr/> 14 174 270	<hr/> 15 808 623
Less: Provision for Impairment	-	-
Total Other Debtors	14 174 270	15 808 623

Capital Projects are in respect of projects funded by the municipality and for which the funding is awaited from other government institutions..

The **Insurance Claims** instituted against the municipality's insurance company are supported by valid insurance claims which are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

Included in **Sundry Deposits** is an amount of R162 000 (2009: R162 000) in respect of cash deposits made to Eskom for the supply of electricity.

20.1 Ageing of Other Debtors

<u>Current:</u>		
0 - 30 days	-	-
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	13 961 940	15 596 293
Total	13 961 940	15 596 293
	(212 330.10)	(212 330.10)

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
21. BANK, CASH AND CASH EQUIVALENTS		
Bank, Cash and Cash Equivalents	2 735 226	8 350 248
Bank Overdraft	(21 866 645)	(21 613 913)
Total Bank, Cash and Cash Equivalents	(19 131 419)	(13 263 665)

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

21.1 Current Investment Deposits

Call Deposits	2 417 932	8 046 201
Notice Deposits	298 634	285 787
Total Current Investment Deposits	2 716 566	8 331 988

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 9,45 % to 11,66 % per annum (2009: 9,45% to 11,66%).

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 7,75 % to 9,75 % per annum (2009: 7,75% to 9,75%).

Deposits of R2 370 683 (2009: R7 123 896) are attributable to Unspent Conditional Grants.

Deposits of R47 249 (2009: R1 218 092) are attributable to the Capital Replacement Reserve.

Notice Deposit, account number 3074384195, carries an unlimited session in favour of ABSA Bank for a gaurantee to Eskom (refer to Note 52.1).

Notice Deposit, account number 2064471346, carries a session in favour of DBSA to the amount of R12 052 224 (2009: R8 193 218).

21.2 Bank Accounts

Bank Overdraft	(21 866 645)	(21 613 913)
Total Bank Accounts	(21 866 645)	(21 613 913)

The Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank - Secunda Branch - Account Number 15 1000 0141:

Cash book balance at beginning of year	(21 613 913)	(13 695 394)
Cash book balance at end of year	(21 866 645)	(21 613 913)
Bank statement balance at beginning of year	12 570 623	2 265 260
Bank statement balance at end of year	2 531 328	12 570 623

Interest on overdrawn current accounts are charged at the banker's prime interest as announced from time to time. Interest is earned at different rates per annum on favourable balances.

21.3 Cash and Cash Equivalents

Cash Floats and Advances	18 660	18 260
Total Cash on hand in Cash Floats, Advances and Equivalents	18 660	18 260

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
22. OPERATING LEASE ASSETS / RECEIVABLES		
Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:		
Balance at beginning of year	40 091	38 933
Operating Lease receipts recorded	234 105	82 889
Operating Lease receipts effected	(225 623)	(81 732)
Total Operating Lease Assets	48 573	40 091

22.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 3 to 10 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

22.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	230 710	100 487
2 to 5 years	300 780	187 070
More than 5 years	-	1 505
Total Operating Lease Arrangements	531 490	289 062

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase in current year income of R8 674 (2009: R5 171).

The following payments have been recognised for Rental Income and Repairs and Maintenance Expense in the Statement of Financial Performance:

Rental Income	234 105	82 889
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The following restrictions (if any) have been imposed by the municipality in terms of the (specify) lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

			2010 R	2009 R
23. PROPERTY RATES				
	Property Valuations		Actual Levies	
	July 2010	July 2009		
	R000's	R000's		
Residential	11 271 470	10 896 814	79 194 702	76 090 209
Commercial	3 740 509	3 897 527	35 736 933	34 235 171
Agricultural	1 088 108	1 101 930	13 767 940	15 439 913
State	62 181	76 581	1 133 393	1 290 380
Municipal	561 740	531 963	-	-
Educational	-	-	7 641 336	4 449 271
Industrial	-	-	12 967 837	12 187 304
Institutional	-	-	2 355	-
Churches	-	-	2 447 212	2 020 179
Revenue Foregone	-	-	(31 987 151)	(28 342 518)
Exempted Properties	-	-	-	-
Total Assessment Rates	16 724 008	16 504 814	120 904 558	117 369 910

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2008.

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A uniform rate of 0,0074 c/R on residential property and 0,0148 c/R on other property (2009: 0,0070 c/R and 0,0140 c/R respectively) is applied on property valuations with effect of 01 July 2008 in terms of the Property Rates Act to determine assessment rates.

A rebate of 40,00% (2009: 40,00%) was allowed on residential properties for pensioners based on the annual income of the ratepayer whilst a discount of 20,00% (2009: 20,00%) was granted on properties owned by the State.

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

24. SERVICE CHARGES

Sale of Electricity	269 707 970	173 936 777
Sale of Water	136 369 711	105 086 748
Refuse Removal	44 423 048	40 598 161
Sewerage and Sanitation Charges	46 235 598	37 055 277
Total Service Charges	496 736 327	356 676 963

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

25. RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Amenities	318 063	276 597
Rental Revenue from Buildings	12 780	(3 285)
Rental Revenue from Halls	383 934	368 903
Rental Revenue from Other Facilities	4 159 338	2 833 578
Total Rental of Facilities and Equipment	4 874 116	3 475 793

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
26. INTEREST EARNED		
Property Rates:		
Penalties imposed and Collection Charges	3 571 847	4 170 718
	3 571 847	4 170 718
External Investments:		
Bank Account	353 608	783 051
Investments	12 188 706	6 663 516
	12 542 315	7 446 567
Outstanding Debtors:		
Outstanding Billing Debtors	29 586 796	34 368 023
	29 586 796	34 368 023
Total Interest Earned	45 700 958	45 985 308
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	353 608	783 051
Held-to-Maturity Investments	12 188 706	6 663 516
Loans and Receivables	33 158 643	38 538 741
	45 700 958	45 985 308
27. GOVERNMENT GRANTS AND SUBSIDIES		
Provincial Equitable Share	124 187 232	99 184 786
Provincial Health Subsidies	-	5 514 488
Other Subsidies	5 000	2 109 320
Operational Grants	124 192 232	106 808 594
Conditional Grants	118 736 067	79 546 649
National: FMG	448 399	569 875
Provincial: MIG	44 071 569	46 789 809
Provincial: Arts and Culture	346 165	434 132
Provincial: DPLG Grant	71 340	-
Provincial: Housing Grant	-	442 789
Provincial: Mineral and Energy Grant	4 143 514	5 387 104
Provincial: MSIG	735 402	580 108
Provincial: Sport and Development	5 972 038	4 676 613
Local Government: Gert Sibande District Municipality Grant	52 852 896	20 666 220
Provincial: Expanded Public Works Programme	94 744	-
Other: Anglo	10 000 000	-
Total Government Grants and Subsidies	242 928 299	186 355 243
Operational Grants:		
27.1 Provincial: Equitable Share	124 187 232	99 184 786
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R130, based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity free every month.		

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
27.2 Provincial: Health Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts - included in Public Health vote	-	5 514 488
Conditions met - transferred to Revenue	-	(5 514 488)
Conditions still to be met - transferred to Current Assets (see Note 20)	-	-

This grant has been used exclusively to fund clinic services (included in Appendix "D"), which services are in a process of being transferred to Provincial Government. This grant will then fall away. The conditions of the grant have been met, but no moneys were transferred to the municipality.

Conditional Grants:

27.3 National: FMG Grant

Balance unspent at beginning of year	2 043	71 918
Current year receipts	750 000	500 000
Conditions met - transferred to Revenue: Operating Expenses	(391 399)	(569 875)
Conditions met - transferred to Revenue: Capital Expenses	(57 000)	-
Conditions still to be met - transferred to Liabilities (see Note 9)	<u>303 645</u>	<u>2 043</u>

The Financial Management Grant is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

27.4 Provincial: MIG Funds

Balance unspent at beginning of year	(5 516 779)	19 669 030
Current year receipts	76 084 000	21 604 000
Conditions met - transferred to Revenue: Operating Expenses	(1 912 080)	(2 601 312)
Conditions met - transferred to Revenue: Capital Expenses	(42 159 489)	(44 188 496)
Conditions still to be met - transferred to Liabilities (see Note 9)	<u>26 495 652</u>	<u>(5 516 779)</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix "B"). No funds have been withheld.

27.5 Provincial: Department Arts and Culture

Balance unspent at beginning of year	3 299	2 431
Current year receipts	550 000	435 000
Conditions met - transferred to Revenue: Operating Expenses	(311 538)	(320 962)
Conditions met - transferred to Revenue: Capital Expenses	(34 627)	(113 170)
Conditions still to be met - transferred to Liabilities (see Note 9)	<u>207 134</u>	<u>3 299</u>

This grant was allocated for the upgrading of library equipment. No funds have been withheld.

27.6 Provincial: Department Local Government (DPLG)

Balance unspent at beginning of year	16 729	16 729
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(71 340)	-
Conditions still to be met - transferred to Liabilities (see Note 9)	<u>(54 611)</u>	<u>16 729</u>

This grant was allocated to improve capacity within the administration of the municipality and was used to improve internal procedures of various processes. No funds have been withheld.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
27.7 Provincial: Department Housing		
Balance unspent at beginning of year	(172 163)	(220 304)
Current year receipts	355 986	490 930
Conditions met - transferred to Revenue: Operating Expenses	(205 822)	(442 789)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 9)	<u>(21 999)</u>	<u>(172 163)</u>

This grant was allocated to ensure that the Social Housing Programme of Provincial Government was carried out. The municipality acts as agent for the implementation of the plan. No funds have been withheld.

27.8 Provincial - Department Minerals and Energy (DME)

Balance unspent at beginning of year	(729 497)	(1 230 394)
Current year receipts	2 492 000	5 888 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(4 143 514)	(5 387 104)
Conditions still to be met - transferred to Liabilities (see Note 9)	<u>(2 381 012)</u>	<u>(729 497)</u>

Expenses were incurred to connect houses to the electricity network of the municipality. No funds have been transferred to the municipality.

27.9 Provincial: MSIG

Balance unspent at beginning of year	331 615	176 723
Current year receipts	735 000	735 000
Conditions met - transferred to Revenue: Operating Expenses	-	(580 108)
Conditions met - transferred to Revenue: Capital Expenses	(735 402)	-
Conditions still to be met - transferred to Liabilities (see Note 9)	<u>331 213</u>	<u>331 615</u>

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. No funds have been withheld.

27.10 Provincial: Sport and Development

Balance unspent at beginning of year	6 553 989	110 871
Current year receipts	-	11 119 731
Conditions met - transferred to Revenue: Operating Expenses	(63 735)	(26 000)
Conditions met - transferred to Revenue: Capital Expenses	(5 908 303)	(4 650 613)
Conditions still to be met - transferred to Liabilities (see Note 9)	<u>581 951</u>	<u>6 553 989</u>

This grant was received for the promotion and development of sport and will be utilised as such as soon as a project has been identified. No funds have been withheld.

27.11 Local Government - Gert Sibande District Municipality Grant (LDM)

Balance unspent at beginning of year	216 221	216 221
Current year receipts	52 852 896	20 666 220
Conditions met - transferred to Revenue: Operating Expenses	(1 221 933)	(1 221 933)
Conditions met - transferred to Revenue: Capital Expenses	(51 630 962)	(19 444 287)
Conditions still to be met - transferred to Liabilities (see Note 9)	<u>216 221</u>	<u>216 221</u>

This grant was used to construct roads, sewerage and water infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

27.12 Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(94 744)	-
Conditions still to be met - transferred to Liabilities (see Note 9)	<u>(94 744)</u>	<u>-</u>

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
27.13 Anglo		
Balance unspent at beginning of year	-	-
Current year receipts	10 000 000	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(10 000 000)	-
Conditions still to be met - transferred to Liabilities (see Note 9)	<u>-</u>	<u>-</u>

The Anglo Coal allocates funds on an annual basis to ensure that Bethal electricity infrastructure is maintained and improved. The grant was utilised for this purpose. No funds have been withheld, but not received yet

27.12 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2009), government grant funding is expected to increase over the forthcoming three financial years.

28. PUBLIC CONTRIBUTIONS AND DONATIONS

Unconditional Contributions	220 000	238 370
Other Donations	164	440
Total Public Contributions and Donations	<u>220 164</u>	<u>238 810</u>

29. OTHER INCOME

Sundry Services Rendered	2 718 217	2 950 978
Sundry Fees Charged	637 008	1 184 183
Other Income	7 209 964	6 811 774
Inter-departmental Recoveries	18 596 671	13 945 972
Total Other Income	<u>29 161 861</u>	<u>24 892 907</u>

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 23 to 25, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and economic services.

30. EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	178 332 482	135 075 093
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	44 032 977	38 325 355
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	16 089 969	18 229 491
Housing Benefits and Allowances	1 094 244	1 493 984
Overtime Payments	23 859 814	24 643 032
Performance Bonuses	-	369 088
Defined Benefit Plan Expense:	9 762 032	6 964 112
Current Service Cost	2 445 035	1 797 501
Interest Cost	4 480 134	5 486 758
Net Actuarial (gains)/losses recognised	2 836 863	(320 146)
Total Employee Related Costs	<u>273 171 517</u>	<u>225 100 156</u>

No advances were made to employees. Loans to employees are set out in Note 16.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	684 863	564 618
Performance Bonus	-	-
Car Allowance	172 144	172 144
Company Contributions to UIF, Medical and Pension Funds	126 537	107 878
Total	983 544	844 641

<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	582 284	580 270
Performance Bonus	-	72 358
Car Allowance	56 861	97 840
Company Contributions to UIF, Medical and Pension Funds	66 388	113 237
Total	705 533	863 705

The post was vacant until 31 May 2010. An Acting Allowance was paid for the period 1 January 2010 to 31 May 2010.

<i>Remuneration of the Director: Corporate Services</i>		
Annual Remuneration	625 598	501 373
Performance Bonus	-	64 465
Car Allowance	96 000	96 000
Company Contributions to UIF, Medical and Pension Funds	114 368	132 770
Total	835 966	794 608

<i>Remuneration of the Director: Environmental Affairs and Tourism</i>		
Annual Remuneration	582 976	485 157
Performance Bonus	-	63 403
Car Allowance	96 000	96 000
Company Contributions to UIF, Medical and Pension Funds	128 998	118 821
Total	807 973	763 381

<i>Remuneration of the Director: Health Services</i>		
Annual Remuneration	339 444	470 946
Performance Bonus	-	64 461
Car Allowance	36 471	96 000
Company Contributions to UIF, Medical and Pension Funds	34 356	96 547
Total	410 271	727 954

The post was vacant until 31 December 2008. An Acting Allowance was paid for the period 1 July 2009 to 31 December 2010.

<i>Remuneration of the Director: Public Safety</i>		
Annual Remuneration	575 907	477 108
Performance Bonus	-	63 314
Car Allowance	96 000	104 000
Company Contributions to UIF, Medical and Pension Funds	151 636	136 050
Total	823 543	780 472

<i>Remuneration of the Director: Technical and Engineering Services</i>		
Annual Remuneration	573 105	455 171
Performance Bonus	-	72 555
Car Allowance	200 000	200 000
Company Contributions to UIF, Medical and Pension Funds	155 661	132 986
Total	928 766	860 713

No compensation was payable to key management personnel in terms of IAS 19 as at 30 June.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
31. REMUNERATION OF COUNCILLORS		
Executive Mayor	360 805	336 219
Deputy Executive Mayor	300 665	280 996
Speaker	291 785	275 040
Chief Whip	266 847	248 408
Mayoral Committee Members	1 379 268	1 313 228
Councillors	5 497 236	5 181 678
Company Contributions to UIF, Medical and Pension Funds	1 553 173	1 497 558
Sundry Allowances (Cellular Phones, etc)	2 526 865	2 821 325
Total Councillors' Remuneration	12 176 644	11 954 452

In-kind Benefits

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

Tuition fees were paid for Councillors participating in skills development programmes.

Councillors may utilise official Council transportation when engaged in official duties.

The Executive Mayor and Deputy Executive Mayor have use of Council owned vehicles for official duties.

32. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	249 977 778	239 527 588
Amortisation: Intangible Assets	1 167 720	719 104
Depreciation: Investment Property	433 129	433 129
Total Depreciation and Amortisation	251 578 628	240 679 821

33. IMPAIRMENT LOSSES

33.1 Impairment Losses on Financial Assets

Impairment Losses Recognised:

Long-term Receivables	125 456 962	83 902 300
Consumer Debtors	808 859	17 435 744
	124 648 103	66 466 555

Impairment Losses Reversed:

	-	-
Total Impairment Losses	125 456 962	83 902 300

34. FINANCE COSTS

Loans and Payables at amortised cost	14 791 690	13 721 348
Bank Overdrafts	157 160	240 826
Other Interest Paid	78 698	21 411
Total Interest Paid on External Borrowings	15 027 549	13 983 584

The weighted average capitalisation rate on funds borrowed generally is 12,99% per annum (2009: 12,99% per annum).

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
35. BULK PURCHASES		
Electricity	163 598 776	114 869 481
Water	77 014 370	67 957 553
Total Bulk Purchases	240 613 146	182 827 034

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Rand Water.

36. CONTRACTED SERVICES

Assessment Services	685 507	1 418 631
Delivery of Consumer Accounts Services	788 355	673 197
Internal Audit Fees	829 545	782 064
Job Creation Services	975	13 000
Legal Services	300 565	192 002
Meter Reading Services	4 036 776	4 098 066
Pre-paid Meter Vending Services	3 966 463	4 098 967
Professional Fees	10 584 820	7 136 466
Security Services	9 866 279	7 191 628
Sewerage Purification Services	9 641 987	8 788 120
Total Contracted Services	40 701 271	34 392 141

37. GRANTS AND SUBSIDIES PAID

Low Income Subsidy / Free Basic Services	59 518 150	47 574 797
SPCA	179 071	173 561
Other	363 598	3 555 644
Total Grants and Subsidies	60 060 818	51 304 002

The **Low Income Subsidy/Free Basic Services** is in respect of providing basic service levels to indigent/residential households. Refer to Note 27.1.

The **SPCA** receives a monthly grant to enable them to prevent cruelty to animals. The grant is increased on an annual basis.

The **Executive Mayor** makes grants available on application after consultation with the Municipal Manager on the merits of such an application.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
38. GENERAL EXPENSES		
Included in General Expenses is the following:		
Advertising, Printing and Stationery	2 180 935	2 118 323
Banking Charges	2 359 032	1 909 338
Casualty Insurance	1 309 087	1 247 881
Cellular Phones	2 678 150	1 674 121
Disaster Management	22 497	34 283
Insurance	3 463 152	2 549 947
Licence Fees	1 645 211	1 543 232
Membership Fees: Associations and Institutes	392 296	1 430 669
Presenting Cost	1 962 343	2 021 442
Rentals: Machinery and Equipment	6 020 324	4 024 051
Rentals: Other Assets	4 679 100	2 283 398
Telephone	2 578 136	3 443 842
Training Levy	2 078 560	1 645 992
Transport Cost	15 057 518	17 566 953
Travelling and Subsistence	1 100 130	1 621 021
Other General Expenses	18 754 015	14 656 195
Municipal Service Cost	11 856 257	10 482 716
Total General Expenses	78 136 742	70 253 406

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

38.1 Material Losses

	67 442 444	33 949 259
Building Damages	83 206	-
Fire Damages	-	5 000
Personal Accident	2 500	-
Public Liability	185 000	15 000
Stated Benefits	2 500	-
Storm / Wind Damages	-	2 500
Theft	12 500	30 000
Third Party Claims	32 000	5 500
Vandalism	-	32 500
Vehicle Damages	153 389	45 000
Distribution Losses:-		
Electricity	50 944 659	19 780 525
Water	16 026 690	14 033 235

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

39. DISCONTINUED OPERATIONS

No operations have been discontinued.

40. CHANGE IN ACCOUNTING POLICY

There were no change in the Accounting Policy during the financial year.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
41. CORRECTION OF ERROR		
Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June.		
Details of the appropriations are as follows:		
Corrections to Bank	-	141 425
Corrections to Creditors	-	114 574
Corrections to Debtors	6 934 468	(15 152 851)
Corrections to External Loans	-	(6 633)
Corrections to Salary Control Accounts	-	(16 214)
Unbundling of Funds and Reserves in term of GAMAP	-	167 333 599
Increase / (Decrease) in Accumulated Surplus	6 934 468	152 413 900
42. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(169 504 356)	(212 249 555)
Adjustment for:		
Correction of prior year Error	6 934 468	152 413 900
Depreciation and Amortisation	251 578 628	240 679 821
Gains on Disposal of Property, Plant and Equipment	(4 473 541)	(1 523 683)
Other Movement on Property, Plant and Equipment	-	(167 163 721)
Contribution to Retirement Benefit Liabilities	6 789 132	5 241 045
Expenditure incurred from Retirement Benefit Liabilities	(2 173 692)	(1 986 618)
Contribution to Provisions - Current	3 292 496	5 833 822
Contribution to Provisions - Non-current	2 972 900	1 723 068
Expenditure incurred from Provisions	(5 625 968)	(4 416 585)
Contribution to Impairment Provision	125 456 962	83 902 300
Bad Debts Written-off	(12 340 669)	(14 691 080)
Investment Income	(12 542 315)	(7 446 567)
Finance Costs	15 027 549	13 983 584
Operating surplus before working capital changes	205 391 594	93 866 600
Decrease/(Increase) in Inventories	(252 556)	(277 856)
Decrease/(Increase) in Consumer Debtors	(107 770 286)	(91 542 840)
Decrease/(Increase) in Other Debtors	1 634 353	19 282 314
Decrease/(Increase) in VAT Receivable	-	449 482
Decrease/(Increase) in Operating Lease Assets	(8 482)	(1 158)
Increase/(Decrease) in Consumer Deposits	1 573 457	1 741 869
Increase/(Decrease) in Creditors	(4 229 822)	37 457 518
Increase/(Decrease) in Conditional Grants and Receipts	24 877 992	(18 107 768)
Increase/(Decrease) in VAT Payable	10 179 950	25 644 516
Cash generated by / (utilised in) Operations	131 323 013	68 855 715

43. NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2009/2010 financial year (2008/2009: R0).

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
44. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility, reviewed annually and payable at call:		
- Amount used	-	-
- Amount unused	11 000 000	11 000 000
	<u>11 000 000</u>	<u>11 000 000</u>

Unsecured Vehicle and Asset Finance Facility, reviewed annually:

- Amount used	-	-
- Amount unused	-	1 000 000
	<u>-</u>	<u>1 000 000</u>

45. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 3)	99 877 363	102 766 078
Used to finance Property, Plant and Equipment - at cost	(99 877 363)	(102 766 078)
Sub-total	<u>-</u>	<u>-</u>
Cash set aside for the Repayment of Long-term Liabilities (See Notes 3 and 15)	73 390 897	66 504 020
Cash invested for Repayment of Long-term Liabilities	<u>73 390 897</u>	<u>66 504 020</u>

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that Long-term Liabilities can be repaid on redemption date.

46. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

46.1 Unauthorised Expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.

46.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	21 411	21 411
Fruitless and Wasteful Expenditure current year	78 698	21 411
Condoned or written off by Council	(21 411)	(21 411)
To be recovered – contingent asset (see Note 53)	-	-
Transfer to receivables for recovery (see Note 20)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>78 698</u>	<u>21 411</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Interest on late payment - Various Creditors</i>	<i>None</i>

46.3 Irregular Expenditure

To management's best of knowledge instances of note, indicating that Irregular Expenditure was incurred during the year under review were not revealed.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R	
47. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
47.1 Contributions to organised local government - SALGA			
Opening Balance	-	-	
Council Subscriptions	1 377 210	1 260 924	
Amount Paid - current year	(1 377 210)	(1 134 610)	
Amount Paid - previous years	-	(126 314)	
Balance Unpaid (included in Creditors)	-	-	
47.2 Audit Fees			
Opening Balance	-	-	
Current year Audit Fee	2 456 640	1 271 641	
Amount Paid - current year	(2 456 640)	(1 271 641)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	-	-	
47.3 VAT			
VAT inputs receivables and VAT outputs payables are shown in Note 10. All VAT returns have been submitted by the due date throughout the year.			
47.4 PAYE, SDL and UIF			
Opening Balance	-	-	
Current year Payroll Deductions	35 311 936	24 968 427	
Amount Paid - current year	(35 311 936)	(24 968 427)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	-	-	
47.5 Pension and Medical Aid Deductions			
Opening Balance	-	-	
Current year Payroll Deductions and Council Contributions	56 320 279	33 855 961	
Amount Paid - current year	(56 320 279)	(33 855 961)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	-	-	
47.6 Councillor's arrear Consumer Accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at:			
30 June 2010	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Buthelezi T M	578	387	191
Councillor Dhladhla S J	11 494	2 892	8 603
Councillor Galela C N	1 173	593	580
Councillor Khanye E N	8 551	3 506	5 045
Councillor Madonsela E M	904	774	130
Councillor Madonsela J	3 517	997	2 521
Councillor Mathebula S S	3 889	527	3 363
Councillor Mkwanazi D S	2 141	315	1 826
Councillor Nhlapho J	943	733	210
Councillor Nkambinde M A	3 864	1 997	1 866
Councillor Nkambule F B F J	1 173	855	318
Councillor Nkosi M Z	241	137	104
Councillor Nkosi N C	1 020	933	87
Councillor Sikeyi D N	1 179	452	727
Councillor Van Zyl M	2 595	2 373	223
Councillor Zulu B S	2 826	455	2 371
Total Councillor Arrear Consumer Accounts	46 089	17 925	28 164

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2009			
Councillor Dhladhla S J	2 276	406	1 870
Councillor Mathebula S S	2 637	357	2 280
Councillor Mkwanazi D S (ZG)	1 208	273	936
Councillor Mtsweni E & B E	5 495	1 050	4 445
Councillor Ngwenya S (E N Khanye)	15 140	694	14 446
Councillor Nkambinde M A	10 732	195	10 538
Councillor Sikeyi T D (T Dyusha)	1 230	775	455
Councillor Sithole I J (Masina S S)	19 508	1 027	18 481
Councillor Tsotetsi D (J F Bethlezi)	3 075	1 200	1 876
Councillor Zulu B S	1 398	734	664
Councillor Zwane S (Khumalo N G)	1 075	405	671
Total Councillor Arrear Consumer Accounts	63 776	7 116	56 661

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

	Highest amount outstanding	Ageing
30 June 2010		
Councillor Buthelezi TM	308	> 90 Days
Councillor Denny TM	497	> 90 Days
Councillor Dhladhla SJ	12 426	> 90 Days
Councillor Galela CN	1 378	> 90 Days
Councillor Gwiji C	479	> 90 Days
Councillor Khanye EN	7 987	> 90 Days
Councillor Mabhena P	497	> 90 Days
Councillor Madonsela J	2 810	> 90 Days
Councillor Mathebula DJ	132	> 90 Days
Councillor Mathebula SS	3 363	> 90 Days
Councillor Mkwanazi DS	1 863	> 90 Days
Councillor Mlotshwa TL	121	> 90 Days
Councillor Mtsweni E&BE	4 165	> 90 Days
Councillor Mtsweni O	992	> 90 Days
Councillor Ndlovu AV	2 639	> 90 Days
Councillor Ngwenya S	16 222	> 90 Days
Councillor Nhlapo J	898	> 90 Days
Councillor Nkabinde MA	10 788	> 90 Days
Councillor Nkambule FBFJ	2 402	> 90 Days
Councillor Nkosi MZ	174	> 90 Days
Councillor Nkosi NC	656	> 90 Days
Councillor Nkosi SS	4 991	> 90 Days
Councillor Sibiya GSD	1 884	> 90 Days
Councillor Sikeyi DN	755	> 90 Days
Councillor Sithole IJ	21 815	> 90 Days
Councillor Tsotetsi D	6 293	> 90 Days
Councillor van Zyl M	4 895	> 90 Days
Councillor Vilakazi SC	3 418	> 90 Days
Councillor Zulu BS	2 371	> 90 Days
Councillor Zwane S	677	> 90 Days

	Highest amount outstanding	Ageing
30 June 2009		
Councillor Dhladhla S J	2 276	> 90 Days
Councillor Mathebula S S	2 637	> 90 Days
Councillor Mkwanazi D S (ZG)	1 208	> 90 Days
Councillor Mtsweni E & B E	5 495	> 90 Days
Councillor Ngwenya S (E N Khanye)	15 140	> 90 Days
Councillor Nkambinde M A	10 732	> 90 Days
Councillor Sikeyi T D (T Dyusha)	1 230	> 90 Days
Councillor Sithole I J (Masina S S)	19 508	> 90 Days
Councillor Tsotetsi D (J F Bethlezi)	3 075	> 90 Days
Councillor Zulu B S	1 398	> 90 Days
Councillor Zwane s (Khumalo N G)	1 075	> 90 Days

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R **2009**
R

47.7 Non-Compliance with Chapter 11 of the Municipal

Finance Management Act

No known matters existed at reporting date.

47.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council.

Department	Date	Successful Tenderer	Reason	Amount
Public Safety	Year 2009/2010	Various occasions (3)	Various, e.g.: Emergency, Sole Provider, etc	163 696.59 Excluding VAT
3 Occasions during the financial year for various reasons amounting to R163 696,59 (excluding VAT)				
Environmental Affairs & Tourism	01 / 12 / 2009 09 / 12 / 2009	<input type="checkbox"/> Golden Future <input type="checkbox"/> Nkosenhle Trading	Masakhane Project Masakhane Project	36 000.00 59 568.00 Excluding VAT
Repairs and maintenance to halls amounting to R95 568,00 (excluding VAT)				
Technical & Engineering Services	Year 2009/2010	Various occasions (138)	Various, e.g.: Emergency, Breakdown, etc	6 647 254.89 Excluding VAT
138 Occasions during the financial year for various reasons amounting to R6 647 254,89 (excluding VAT)				
Office of the Municipal Manager	25 / 10 / 2009 28 / 05 / 2009	Leishan IT Consultancy Tank Project Solutions	Emergency, Consultancy for PMU	41 167.88 1 912 080.33 Excluding VAT
Marketing material for Outreach Program to the amount of R41 167,68 (excluding VAT)				
Office of the Executive Mayor	12 / 11 / 2009	Ntsako Trading & Consulting	Urgent matters for Mayoral Masakhane Project	92 550.00 Excluding VAT
Cleaning of streets in Mayoral Masakhane Project to the amount of R92 550,00 (excluding VAT)				
Health & Community Services	26 / 11 / 2009 26 / 11 / 2009 21 / 12 / 2009	<input type="checkbox"/> Rescue Rod <input type="checkbox"/> Rasiphita & I Construction <input type="checkbox"/> Tajo Transport & Labour Hire	Emergency Emergency Masakhane Project	21 489.00 34 251.37 10 506.24
Sewer pipeline discharging waste; Pump station down for cable theft and Cleaning of offices to the amount of R66 246,61 (excluding VAT)				
Finance Department	Year 2009/2010	Various occasions (10)	Emergency	1 355 078.08 Excluding VAT

48. COMMITMENTS FOR EXPENDITURE

48.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Land and Buildings
Infrastructure
Community
Heritage
Other

28 001 742	15 411 349
-	-
11 629 834	11 777 366
16 371 908	1 966 798
-	955 206
-	711 980

Total Capital Commitments

28 001 742	15 411 349
------------	------------

This expenditure will be financed from:

Capital Replacement Reserve
Government Grants
Own Resources

444 270	1 333 320
27 557 472	12 853 363
-	1 224 667
28 001 742	15 411 349

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

48.2 Lease Commitments

Non-cancellable Operating Lease Commitments are disclosed in Note 11.

48.3 Other Commitments

The municipality has entered into a contract with SIDAS Security Guards for the provision of security services for the next 2 years (2009: 2 years), which will give rise to an annual charge of approximately R6,3 million.

The municipality has entered into a contract with Electric Field CC for the monthly cut-off action and inspection of meters for tampering for 4 years (2009: 4 years) at a rate of R5,38 per meter.

The municipality has entered into a contract with Sasol Sunfuels (Pty) Ltd for sewer purification, which will give rise to an annual charge of R6,6 million.

The municipality has entered into a contract with Ducharme Consulting Services for the compilation of GAMAP/GRAP-compliant financial statements for 2 years (2009: 2 years), which will give rise to a total charge of R1 398 096.

The municipality has entered into a contract with NAC Samsung for the rendering of the telephone system for a period of 3 years (2009: 3 years) which will give rise to a total charge of R 886,048.68

The municipality has entered into a contract with KMG to perform the internal audit function on behalve of council for a period of 3 years (2009: 3 years) which will give rise to an annual charge of approximately R 526,584.00

49. FINANCIAL INSTRUMENTS

49.1 Classification

FINANCIAL ASSETS:

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

<u>Financial Assets</u>	<u>Classification</u>		
Non-current Investments			
Listed Investments	Held to maturity	369 000	369 000
Fixed Deposits	Held to maturity	85 443 121	74 697 238
Long-term Receivables			
Township Development	Loans and receivables	239 688	239 688
Capitalised Arrear Services	Loans and receivables	42 995 803	46 237 197
Consumer Debtors			
Assessment Rates	Loans and receivables	25 782 175	17 640 812
Electricity	Loans and receivables	14 141 535	12 263 412
Refuse	Loans and receivables	2 631 709	6 840 481
Sewerage	Loans and receivables	3 034 907	6 749 810
Water	Loans and receivables	10 011 959	15 916 958
Loan Instalments	Loans and receivables	519 132	427 778
Other Debtors	Loans and receivables	462 440	1 281 754
Other Debtors			
Sundry Deposits	Loans and receivables	337 202	337 202
Sundry Debtors	Loans and receivables	2 988 788	14 623 141
Capital Projects	Loans and receivables	10 784 536	784 536
Insurance Claims	Loans and receivables	63 744	63 744
Bank, Cash and Cash Equivalents			
Call Deposits	Available for sale	2 417 932	8 046 201
Notice Deposits	Held to maturity	298 634	285 787
Cash Floats and Advances	Available for sale	18 660	18 260
Current Portion of Long-term Receivables			
Capitalised Arrear Services	Loans and receivables	8 417 177	3 062 100

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
SUMMARY OF FINANCIAL ASSETS			
Held to maturity:			
Non-current Investments	Listed Investments	369 000	369 000
Non-current Investments	Fixed Deposits	85 443 121	74 697 238
Bank,Cash and Cash Equivalents	Notice Deposits	298 634	285 787
		<u>86 110 755</u>	<u>75 352 025</u>
Loans and Receivables			
Long-term Receivables	Township Development	239 688	239 688
Long-term Receivables	Capitalised Areear Services	42 995 803	46 237 197
Consumer Debtors	Assessment Rates	25 782 175	17 640 812
Consumer Debtors	Electricity	14 141 535	12 263 412
Consumer Debtors	Refuse	2 631 709	6 840 481
Consumer Debtors	Sewerage	3 034 907	6 749 810
Consumer Debtors	Water	10 011 959	15 916 958
Consumer Debtors	Loan Instalments	519 132	427 778
Consumer Debtors	Other Debtors	462 440	1 281 754
Other Debtors	Sundry Deposits	337 202	337 202
Other Debtors	Sundry Debtors	2 988 788	14 623 141
Other Debtors	Capital Projects	10 784 536	784 536
Other Debtors	Insurance Claims	63 744	63 744
Current Portion of Long-term Receivables	Capitalised Areear Services	8 417 177	3 062 100
		<u>122 410 794</u>	<u>126 468 612</u>
Available for Sale:			
Bank,Cash and Cash Equivalents	Call Deposits	2 417 932	8 046 201
Bank,Cash and Cash Equivalents	Cash Floats and Advances	18 660	18 260
		<u>2 436 592</u>	<u>8 064 461</u>
Total Financial Assets		<u>210 958 141</u>	<u>209 885 098</u>

FINANCIAL LIABILITIES:

In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	(43 204 669)	29 801 946
Other Loans	Financial liabilities at amortised cost	70 000 000	70 000 000
Consumer Deposits			
Electricity and Water	Financial liabilities at amortised cost	14 314 925	12 741 468
Creditors			
Trade Creditors	Financial liabilities at amortised cost	2 356 364	3 900 530
Payments received in Advance	Financial liabilities at amortised cost	40 321 300	37 736 683
Retentions	Financial liabilities at amortised cost	21 487 979	18 806 685
Sundry Deposits	Financial liabilities at amortised cost	1 200 223	1 092 152
Other Creditors	Financial liabilities at amortised cost	40 053 682	48 113 319
Bank Overdraft			
Bank Overdraft	Financial liabilities at amortised cost	21 866 645	21 613 913
Current Portion of Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	73 082 032	2 964 132

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	(43 204 669)	29 801 946
Long-term Liabilities	Other Loans	70 000 000	70 000 000
Consumer Deposits	Electricity and Water	14 314 925	12 741 468
Creditors	Trade Creditors	2 356 364	3 900 530
Creditors	Payments received in Advance	40 321 300	37 736 683
Creditors	Retentions	21 487 979	18 806 685
Creditors	Sundry Deposits	1 200 223	1 092 152
Creditors	Other Creditors	40 053 682	48 113 319
Bank Overdraft	Bank Overdraft	21 866 645	21 613 913
Current Portion of Long-term Liabilities	Annuity Loans	73 082 032	2 964 132
		<u>241 478 480</u>	<u>246 770 828</u>
Total Financial Liabilities		<u>241 478 480</u>	<u>246 770 828</u>

49.2 Fair Value

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

- the Fair Value of Financial Assets and Financial Liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;

In accordance with IAS 39.09 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2010		30 June 2009	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Held to maturity:	86 110 755	86 154 666	75 352 025	75 359 091
Listed Investments	369 000	412 911	369 000	376 066
Fixed Deposits	85 443 121	85 443 121	74 697 238	74 697 238
Notice Deposits	298 634	298 634	285 787	285 787
Loans and Receivables	122 410 794	122 410 794	126 468 612	126 468 612
Long-term Receivables	43 235 491	43 235 491	46 476 885	46 476 885
Consumer Debtors	56 583 856	56 583 856	61 121 004	61 121 004
Other Debtors	14 174 270	14 174 270	15 808 623	15 808 623
Current Portion of Long-term Receivables	8 417 177	8 417 177	3 062 100	3 062 100
Available for Sale	2 436 592	2 436 592	8 064 461	8 064 461
Call Deposits	2 417 932	2 417 932	8 046 201	8 046 201
Bank Balances and Cash	18 660	18 660	18 260	18 260
Total Financial Assets	<u>210 958 141</u>	<u>211 002 052</u>	<u>209 885 098</u>	<u>209 892 164</u>
FINANCIAL LIABILITIES				
At Amortised Cost:	241 478 480	240 585 468	246 770 828	245 877 816
Unsecured Bank Facilities:	48 661 976	48 661 976	121 415 860	121 415 860
- Annuity Loans	(43 204 669)	(43 204 669)	29 801 946	29 801 946
- Other Loans	70 000 000	70 000 000	70 000 000	70 000 000
- Bank Overdraft	21 866 645	21 866 645	21 613 913	21 613 913
Trade and Other Payables:	192 816 504	191 923 492	125 354 969	124 461 956
- Consumer Deposits	14 314 925	14 314 925	12 741 468	12 741 468
- Creditors	105 419 547	104 526 535	109 649 369	108 756 357
- Current Portion of Long-term Liabilities	73 082 032	73 082 032	2 964 132	2 964 132
Total Financial Liabilities	<u>241 478 480</u>	<u>240 585 468</u>	<u>246 770 828</u>	<u>245 877 816</u>
Total Financial Instruments	<u>(30 520 339)</u>	<u>(29 583 416)</u>	<u>(36 885 730)</u>	<u>(35 985 652)</u>
Unrecognised Gain / (Loss)		<u>936 923</u>		<u>900 079</u>

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R **2009**
R

49.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2007.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 3, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 2 and the Statement of Changes in Net Assets.

Gearing Ratio

2010
R **2009**
R

The gearing ratio at the year-end was as follows:

Debt	121 744 008	124 379 992
Bank, Cash and Cash Equivalents	(2 436 592)	(8 064 461)
Net Debt	<u>119 307 416</u>	<u>116 315 531</u>
Equity	<u>3 238 950 910</u>	<u>3 398 528 913</u>
Net debt to total capital ratio	<u>3.68%</u>	<u>3.42%</u>

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 3.

Total Capital includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

49.4 Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

49.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

49.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 49.6.2 below). No formal policy exists to hedge volatilities in the interest rate market.

49.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010	2009
R	R

49.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

Finance Lease Assets:

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the municipality's:

- surplus for the year ended 30 June 2010 would have decreased/increased by R52 321 (2009: R134 551). This is mainly attributable to the municipality's exposure to interest rates on its variable rate borrowings; and

The municipality's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

49. FINANCIAL INSTRUMENTS (Continued)

49.7 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2010

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
FIXED RATE INSTRUMENTS								
Held-to-maturity Investments	16		85 443 121	-	78 556 243	-	-	-
Fixed Deposits			85 443 121	-	78 556 243	-	-	-
Secured Bank Facilities	4		(70 000 000)	-	(70 000 000)	-	-	-
INCA		15.25%	(30 000 000)	-	(30 000 000)	-	-	-
INCA		16.50%	(40 000 000)	-	(40 000 000)	-	-	-
Unsecured Bank Facilities	4		(29 877 363)	-	-	(8 021)	(1 008 000)	(28 861 341)
ABSA		14.50%	(989 945)	-	-	-	(989 945)	-
DBSA		15.50%	(249 259)	-	-	-	-	(249 259)
DBSA		15.50%	(480 323)	-	-	-	-	(480 323)
DBSA		9.25%	(8 021)	-	-	(8 021)	-	-
DBSA		10.05%	(18 055)	-	-	-	(18 055)	-
DBSA		16.50%	(4 025 117)	-	-	-	-	(4 025 117)
DBSA		8.93%	(8 445 321)	-	-	-	-	(8 445 321)
DBSA		11.55%	(15 661 321)	-	-	-	-	(15 661 321)
Total Fixed Rate Instruments			(14 434 242)	-	8 556 243	(8 021)	(1 008 000)	(28 861 341)
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	22		2 716 566	(6 694 228)	-	-	-	-
Bank Balances and Cash	22		18 660	18 660	-	-	-	-
Total Fixed Rate Instruments			2 735 226	(6 675 568)	-	-	-	-

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

30 June 2009

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
FIXED RATE INSTRUMENTS								
Held-to-maturity Investments	16		74 697 238	-	-	74 697 238	-	-
Fixed Deposits			74 697 238	-	-	74 697 238	-	-
Secured Bank Facilities	4		(70 000 000)	-	-	-	(70 000 000)	-
INCA		15.25%	(30 000 000)	-	-	-	(30 000 000)	-
INCA		16.50%	(40 000 000)	-	-	-	(40 000 000)	-
Unsecured Bank Facilities	4		(15 266 078)	-	-	(15 679)	(1 411 186)	(13 839 213)
ABSA		14.50%	(1 387 691)	-	-	-	(1 387 691)	-
DBSA		15.50%	(270 177)	-	-	-	-	(270 177)
DBSA		15.50%	(491 814)	-	-	-	-	(491 814)
DBSA		9.25%	(15 679)	-	-	(15 679)	-	-
DBSA		10.05%	(23 496)	-	-	-	(23 496)	-
DBSA		16.50%	(4 193 765)	-	-	-	-	(4 193 765)
DBSA		8.93%	(8 883 457)	-	-	-	-	(8 883 457)
DBSA		11.55%	(17 500 000)	-	-	-	-	(17 500 000)
Total Fixed Rate Instruments			(10 568 841)	-	-	74 681 559	(71 411 186)	(13 839 213)
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	22		8 331 988	8 331 988	-	-	-	-
Bank Balances and Cash	22		18 260	18 260	-	-	-	-
Total Fixed Rate Instruments			8 350 248	8 350 248	-	-	-	-

49.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

49.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 44 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk.

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. A credit line overdraft facility of RXX million is available and is unsecured. Interest payable is linked to the prime interest rate.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2010								
Non-interest Bearing		0.00%	119 734 472	119 734 472	-	-	-	-
Fixed Interest Rate Instruments		13.35%	126 491 814	8 847 713	78 847 713	6 503 648	18 324 404	13 968 336
			246 226 286	128 582 185	78 847 713	6 503 648	18 324 404	13 968 336
30 June 2009								
Non-interest Bearing		0.00%	122 390 837	122 390 837	-	-	-	-
Fixed Interest Rate Instruments		13.35%	155 362 239	8 847 713	8 847 713	17 695 426	100 086 042	19 885 346
			277 753 076	131 238 549	8 847 713	17 695 426	100 086 042	19 885 346

The municipality has access to financing facilities, the total unused amount which is R9,268 million at the balance sheet date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio, within 20-25% limits increasing it to 25%. This will be achieved through the issue of new debt and the increased use of secured bank loan facilities.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R **2009**
R

49. FINANCIAL INSTRUMENTS (Continued)

49.10 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting maximum terms, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Council.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, except for Sasol who has large investments in the municipal area and does not pose any risk. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists for Sasol and Peermont Global, based on the payment history of the parties. Significant credit risk exposure exists for Gert Sibande, Las Vegas and Swanepoel J H, based on the payment history of these parties, but ample provision for empairment has been made.

Counterparty and Location	30 June 2010		30 June 2009	
	Credit	Carrying	Credit	Carrying
	Limit	Amount	Limit	Amount
	R	R	R	R
Gert Sibande District Municipality	-	5 346 162	-	4 735 108
Las Vegas	-	3 663 075	-	3 129 039
Sasol Synfuels (Pty) Ltd	-	2 791 250	-	2 556 781
Swanepoel JH	-	786 852	-	661 795
Peermont Global (Southern Africa)	-	-	-	511 006
Jiyane VA	-	553 757	-	-

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Fixed Deposit Investments	85 812 121	75 066 238
Long-term Receivables	51 652 668	49 538 985
Consumer Debtors	56 583 856	61 121 004
Other Debtors	14 174 270	15 808 623
Bank, Cash and Cash Equivalents	2 735 226	8 350 248
Maximum Credit and Interest Risk Exposure	210 958 141	209 885 098
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Long-term Receivables		
Group 3	9 670 725	8 365 902
Total Long-term Receivables	9 670 725	8 365 902
Consumer Debtors		
Counterparties without external credit rating:-		
Group 2	56 583 856	61 121 004
	56 583 856	61 121 004
Total Consumer Debtors	56 583 856	61 121 004
Other Debtors		
Group 1	337 202	11 816 999
Group 2	13 624 738	3 779 294
Total Other Debtors	13 961 940	15 596 293
	(212 330.10)	(212 330.10)
Bank and Cash Balances		
ABSA Bank	2 716 566	8 331 988
Cash Equivalents	18 660	18 260
Total Bank Balances	2 735 226	8 350 248

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

50. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Govan Mbeki Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R28,7 million (2009: R25,4 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Joint Municipal Pension Fund:

The statutory valuation performed as at 30 September 2007 revealed that the fund had a surplus of R82,1 (31 December 2005: shortfall of R44,2) million, with a funding level of 123,7% (31 December 2005: unknown). The contribution rate paid by the members (9,00%) and municipalities (22,00%) has a shortfall of 0,90%, but can be covered by the available margin in the fund.

Local Government Pension Fund:

A contribution rate is paid by the members (7,50%) and municipalities (15,00%, 18,00%, 18,07% and 22,00%).

Municipal Employees Pension Fund:

A contribution rate is paid by the members (7,50%) and municipalities (22,00%).

South African Local Authorities Pension Fund (SALA):

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2007.

The statutory valuation performed as at 1 July 2007 revealed that the fund had a surplus of 558,4 (1 July 2006: R286,0) million, with a funding level of 110% (1 July 2006: 106%). The contribution rate paid by the members (7,50% to 9,00%) and the municipalities (15,00% to 20,80%) is sufficient to fund the benefits accruing from the fund in the future.

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The statutory valuation performed as at 30 June 2006 revealed that the fund had a funding ratio of 106.5%. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Gratuity Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.

The valuation performed as at 30 June 2008 revealed that the market value of the fund was R8 104,4 (30 June 2007: R 926,3) billion. The contribution rate payable (7,50% by the member and 22,00% by the employer), is sufficient to cover the cost of benefits and expenses. The fund was certified to be in sound financial condition as at 30 June 2008.

National Fund for Municipal Workers:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2007.

The statutory valuation performed as at 1 July 2007 revealed that the fund had a surplus of 9,5 (1 July 2006: deficit R4,3) million, with a funding level of 100,3% (1 July 2006: 99,8%). The contribution rate paid by the members (2,00% to 7,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

South African Municipal Workers Union National Provident Fund:

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2005.

The statutory valuation performed as at 30 June 2005 revealed that the fund had a funding ratio of 100,0% (30 June 2002: 100,0%). The contribution rate paid by the members (not less than 5,00%) and Council (not less than 12,00%) is sufficient to fund the benefits accruing from the fund in the future.

None of the above mentioned plans are State Plans.

51. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

51.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Badenhorst H J	Councillor	Managing Director of Dinyane Education and Training
Dhlamini M D	Councillor	60% Shareholder in J D D Transport
Dlamini D M	Councillor	50% Shareholder in Key Mavis Skills & Development
Labuschagne P J	Councillor	100% Shareholder in Uthingo Civils and 60% Zonki-Zizwe Pty Ltd
Mabhena M P	Councillor	Owens taxi's that are engaged by the municipality from time-to-time; Selling electricity on behalf of Eskom in Lebohang
Madonsela M D	Councillor	100% Shareholder in Mtimandza Construction
Mahlangu M F	Councillor	60% Ownership of Taita Joint; Member of the Govan Mbeki Housing Company; Owner of a restaurant
Makhanye A S	Councillor	Partner in Amadeke Building Construction
Masilela J	Councillor	25% Shareholder in Kweesta Education, Empowerment & Developments; Shareholder in Sibusiso Setho General Trading CC; Shareholder in Nedbank and Telkom and Employed by KiriyaSwane
Masombula P P	Councillor	Lokoza Security
Mtsweni E	Councillor	Interest in Taxi Industry
Mtsweni O	Councillor	Partner in Pula Nala Investment Pty Ltd and Purple Plum Property Investment Pty Ltd; Director in HBDC
Mphou M P	Councillor	Interest in Vukanini Taxi Association
Nhlapho J	Councillor	Staff initiatives Rotran Bethal Cool Transport
Nkosi M J	Councillor	33% Shareholder in Inqolobane Construction, 50% in Little Swift Investment 421 Pty Ltd and 20% in Mahlohlosi Trading CC; Sub-contracting to some Service Providers of the municipality
Nkosi P M	Councillor	Shareholder in Telkom and ICI
Tsotetsi T J	Councillor	Director in Thabo Ntsoaki Construction and Projects with 50% shares; 50% Interest in Trucking Business; 20% Shareholding in Mahlohlosi Trading CC
Van Zyl P W	Councillor	50% Share in V2 Builders; Spouse engaged in business transactions with municipality through Wesbank
Victor N S	Councillor	Employed by SAVF; Husband is the chairperson of the Audit Committee
Aphana K	Official	25 Shares in Sasol Limited; Director / Partner in Threesome TKP
Maseko E N	Official	100 Shares at Multichoice and 200 shares at Abil, 100% owner in Malithi Transport Services
Mathunyane L H	Official	1 Share in Telkom SA Ltd
Michele M E	Official	100% Owner of Melato Admin Services, 4% Shareholding in Uptown Estate Agency and 20% in DP Michele Attorneys
Mnisi M	Official	Interest in Rainfall Services Consulting Training
Rohan K	Official	50% Shares in Shammy Shine Car Wash and 50% in Khomanani Development Development Planners and Architectural Draughting
Zikalala S S	Official	5% Shares in Nana Enterprise; 1 Ordinary share at NAIL

51.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2010				
Councillors	87 535	202 265	-	87 266
Section 57 Personnel	44 983	82 587	-	127 570
Total Services	132 518	284 853	-	214 836
For the Year ended 30 June 2009				
Councillors	87 535	202 265	-	87 266
Section 57 Personnel	24 115	5 419	-	42 909
Total Services	111 650	207 684	-	130 174

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel not on the salary deduction list. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

51.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 16 to the Annual Financial Statements.

51.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 30 and 31 respectively, to the Annual Financial Statements.

2010	2009
R	R

51.5 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

52. CONTINGENT LIABILITIES

52.1 Guarantees:

(i) The municipality ceded an amount of R253 000,00 of its revenue streams/future revenue streams in favour of Eskom for the supply of electricity.

(ii) The municipality issued a bank guarantee in the amount of R100 000 in favour of Eskom to cover deposits on the electricity accounts of the municipality.

52.2 Court Proceedings:

(i) Council is being sued by JC Roarty for damages, as a result of a veld fire that ravaged through Roarty's farm in Leandra, amounting to R1 million. Council has filed a notice to defend the matter. The case was ruled in favour of the municipality and has been finalised.

(ii) Council is involved in a law suit with SP Mncwabe & 20 Others amounting to R2,2 million for malicious damage and impounding of property when relocating people from eMbalenhle to Kinross Extension 25. The claim excludes associated legal costs. The outcome of the legal process is unknown at this stage as the case was postponed *sine dine*.

353 000	353 000
8 315 226	9 315 226

(iii) Council is being sued for R322 591,23 by VA Jiyane for loss of business, arising from debt collection action. Legal costs are excluded from this claim. The outcome of the legal processes is unknown at this stage as the case was postponed at the request and cost of the applicant.

(iv) Council is being sued for R396 911,50 by Pride Milling for alleged switching on of electricity without properly ensuring that phase rotation was correctly connected after electricity was switched off for maintenance purposes. Legal costs are excluded from this claim. The matter was referred to the municipality's insurers for settlement or defense. The outcome of the processes is unknown at this stage.

(v) Council is being sued for R2 850 528,50 by the Road Accident Fund for alleged negligence when a multiple vehicle collision on 24 June 2004 was allegedly caused by a veld fire close to Bethal. Legal costs are excluded from this claim. The matter has been referred to the insurers of the municipality and the outcome is unknown at this stage.

(vi) Council is being sued for R22 000,00 by Mr Singh for damages to his motor car arising from an accident allegedly caused by a municipal vehicle. Legal costs are excluded from this claim. The matter has been referred to the insurers of the municipality and the outcome is unknown at this stage.

(vii) Council is being sued for approximately R300 000,00 by SS Construction for retention amount on work done on behalf of the municipality. Judgement in favour of the municipality was reversed after successful appeal by the applicant. The municipality is now counter suing (see Note 53, "Contingent Assets"). The outcome of the legal processes is unknown at this stage.

(viii) An interim court order was granted against the municipality for the illegal impounding of 36 head cattle and a truck in Leslie during a road block held. The matter is being defended and the outcome of the legal processes is unknown at this stage as the case was postponed at the request of the applicant.

(ix) Council is being sued for R100 000,00 by NP Mpharu for injuries allegedly caused by the negligence of the municipality to properly safeguard open sewerage pipelines. The outcome of the legal process is unknown at this stage.

(x) Council is being sued for R528 358,78 by Caluma Projects for allegedly unpaid amounts for work done. The outcome of the legal process is unknown at this stage.

(xi) Council has received demand for payment for R1 458 836,11 from Makhambavhele Construction for non-payment of work performed on tender for the grading and gravelling of roads. Information is being gathered to defend the claim. The outcome of the process is unknown at this stage.

(xii) Council has received demand for payment for R136 000,00 from Thandoluyadlupha for alleged assault by municipal traffic officers. The summons is awaited and the outcome of the process is unknown at this stage.

53. CONTINGENT ASSETS

53.1 Court Proceedings:

(i) Council is suing SS Construction for an estimated R450 000,00 for contract not completed. The defendant is also suing the municipality for outstanding payment (see Note 52, "Contingent Liabilities"). The outcome of the legal processes is unknown at this stage.

450 000

450 000

54. COMPARISON WITH THE BUDGET

Budgeted amounts for expenditure have been exceeded as indicated below:

Category of Expenditure	30 June 2010		30 June 2009	
	Budgeted Amount R	Actual Amount R	Budgeted Amount R	Actual Amount R
Employee Related Costs	266 689 511	273 171 517	214 627 251	225 100 156
Remuneration of Councillors	11 189 000	12 176 644	-	-
Collection Costs	-	-	-	-
Depreciation and Amortisation	70 434 700	251 578 628	67 817 700	240 679 821
Impairment Losses	55 258 100	125 456 962	61 042 800	83 902 300
Repairs and Maintenance	-	-	-	-
Finance Costs	-	-	-	-
Bulk Purchases	218 832 300	240 613 146	-	-
Contracted Services	-	-	26 196 400	34 392 141
Grants and Subsidies Paid	-	-	-	-
Research and Development Costs	-	-	-	-
General Expenses	-	-	63 690 900	70 253 406
Other Losses on Continued Operations	-	-	-	-
Loss on Disposal of Property, Plant and Equipment	-	-	-	94 978
Total Expenditure	1 004 907 285	1 129 895 527	819 074 800	959 486 087

The excess expenditure has not been authorised and is disclosed as such in Note 46.1.

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure for the current year, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

55. IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance:

- (i) Secondment of one Young Technical Professionals by DBSA for two years, ending January 2011

56. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the financial year 2009/2010.

57. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2009.

58. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 40) and Correction of Prior Period Errors (Note 41).

59. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been issued, but are not yet effective:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 25 Employee Benefits - issued December 2009
- GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial Instruments - issued October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

APPENDIX A
GOVAN MBEKI MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2009	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2010
ANNUITY LOANS	R				R	R	R	R
ABSA	3 000 000	14.50%	30 0877 5002	30/06/2012	1 387 691	-	397 745	989 945
DBSA	321 368	15.50%	11167/102	30/09/2019	270 177	-	20 918	249 259
DBSA	585 000	15.50%	11167/202	30/09/2019	491 814	-	11 491	480 323
DBSA	169 348	9.25%	12041/102	30/06/2010	15 679	-	7 658	8 021
DBSA	125 000	10.05%	12042/102	30/06/2011	23 496	-	5 441	18 055
DBSA	4 918 492	16.50%	13427/102	30/09/2019	4 193 765	-	168 648	4 025 117
DBSA	10 000 000	8.93%	101781/1	30/04/2016	8 883 457	-	438 135	8 445 321
DBSA	17 500 000	11.55%	103198/1	31/03/2016	17 500 000	-	1 838 679	15 661 321
Total Annuity Loans	37 868 484				32 766 078	-	2 888 716	29 877 363
OTHER LOANS								
INCA	30 000 000	15.25%	HIGH-00-0001	30/06/2011	30 000 000	-	-	30 000 000
INCA	40 000 000	16.50%	HIGH-00-0002	30/06/2011	40 000 000	-	-	40 000 000
Total Other Loans	70 000 000				70 000 000	-	-	70 000 000
TOTAL EXTERNAL LOANS	108 268 484				102 766 078	-	2 888 716	99 877 363

ANNUITY LOANS:

Absa:

Structured unsecured 10 year loan for purchase of land. Original loan capital of R3 000 000 is repayable monthly in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 20 year loan for provision of infrastructure. Original loan capital of R321 368 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

APPENDIX A
GOVAN MBEKI MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

DBSA:

Structured unsecured 20 year loan for provision of infrastructure. Original loan capital of R585 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 30 year loan for provision of infrastructure. Original loan capital of R169 348 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 30 year loan for provision of infrastructure. Original loan capital of R125 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 20 year loan for provision of infrastructure. Original loan capital of R4 918 492 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 15 year loan for provision of infrastructure. Original loan capital of R10 000 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 7 year loan for provision of infrastructure. Original loan capital of R17 500 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

OTHER LOANS:

INCA:

Structured secured 14 year loan for various purposes. Original loan capital of R30 000 000. Interest is repayable semi-annually in at fixed rate interest.

INCA:

Structured secured 11 year loan for various purposes. Original loan capital of R430 000 000. Interest is repayable semi-annually in at fixed rate interest.

APPENDIX B
GOVAN MBEKI MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings													
<i>Land:</i>													
Land: Developed	443 283 234	71 340	-	-	-	443 354 574	0	-	-	-	0	443 354 574	14 500 000
Land: Undeveloped	-	-	-	-	-	-	-	-	-	-	-	-	-
Farms	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Buildings:</i>													
Civic Centres	57 306 514	153 285	-	-	-	57 459 799	30 233 789	2 412 153	-	-	32 645 942	24 813 857	1 113 100
Laboratories	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Buildings	87 550 817	1 740 400	677 955	-	-	89 969 172	46 352 967	3 416 450	-	-	49 769 417	40 199 755	800 000
Warehouses and Storage Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops and Depots	19 984 841	-	-	-	-	19 984 841	11 468 696	711 196	-	-	12 179 892	7 804 949	-
Hostels: Public and Tourist	5 054 447	-	-	-	-	5 054 447	2 905 572	185 171	-	-	3 090 743	1 963 703	-
Hostels: Workers	-	-	-	-	-	-	0	-	-	-	0	(0)	-
Residences	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Buildings	21 001 782	-	-	-	-	21 001 782	5 985 828	758 063	-	-	6 743 891	14 257 891	-
Public Parking	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings: Let-out	-	-	-	-	-	-	-	-	-	-	-	-	-
Carports	-	-	-	-	-	-	-	-	-	-	-	-	-
Flats Block	-	-	-	-	-	-	-	-	-	-	-	-	-
Houses	-	-	-	-	-	-	-	-	-	-	-	-	-
Houses: Selling Schemes	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Parks	-	-	-	-	-	-	-	-	-	-	-	-	-
Shopping Centres	-	-	-	-	-	-	-	-	-	-	-	-	-
	634 181 635	1 965 025	677 955	-	-	636 824 616	96 946 853	7 483 033	-	-	104 429 887	532 394 729	16 413 100
Infrastructure													
<i>Airports:</i>													
Airport Buildings	2 639 121	-	-	-	-	2 639 121	1 264 729	156 830	-	-	1 421 559	1 217 562	-
Aprons	-	-	-	-	-	-	-	-	-	-	-	-	-
Runways	708 423	-	-	-	-	708 423	389 415	27 040	-	-	416 455	291 968	50 000
Taxiways	-	-	-	-	-	-	-	-	-	-	-	-	-
Radio Beacons	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Electricity:</i>													
Cooling Towers	-	-	-	-	-	-	-	-	-	-	-	-	-
MV Sub Stations	49 631 429	-	-	-	-	49 631 429	22 076 553	2 178 306	-	-	24 254 860	25 376 569	-
MV Switchgear	37 922 479	-	-	-	-	37 922 479	18 933 486	839 180	-	-	19 772 666	18 149 813	-
MV Transformers	214 122 705	-	-	-	-	214 122 705	137 597 376	4 280 478	-	-	141 877 855	72 244 850	-
MV Conductors	24 474 437	-	-	-	-	24 474 437	10 245 609	489 489	-	-	10 735 097	13 739 340	-
MV Cables	104 321 775	14 143 514	-	-	-	118 465 289	80 344 716	2 086 435	-	-	82 431 151	36 034 138	2 748 000
LV Conductors	31 198 469	-	-	-	-	31 198 469	18 508 895	623 969	-	-	19 132 864	12 065 605	-
LV Cables	62 700 000	33 049 942	-	-	-	95 749 942	40 854 000	1 254 000	-	-	42 108 000	53 641 942	1 592 662
Service Connections	-	-	-	-	-	-	-	-	-	-	-	-	-
Meters	212 397 537	-	-	-	-	212 397 537	133 649 753	14 159 836	-	-	147 809 589	64 587 948	-
High Mast Lighting	39 726 150	1 153 672	-	-	-	40 879 822	19 629 392	1 589 046	-	-	21 218 438	19 661 384	4 133 700
Power Stations	-	-	-	-	-	-	-	-	-	-	-	-	-
Supply and Reticulation	-	-	5 387 104	-	-	5 387 104	0	-	-	-	0	5 387 104	-

APPENDIX B
GOVAN MBEKI MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Load Control Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Mains	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Gas:</i>													
Mains	-	-	-	-	-	-	-	-	-	-	-	-	-
Meters	-	-	-	-	-	-	-	-	-	-	-	-	-
Storage Tanks	-	-	-	-	-	-	-	-	-	-	-	-	-
Supply and Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Pedestrian Malls:</i>													
Pedestrian Malls	-	-	-	-	-	-	-	-	-	-	-	-	-
Footways	-	-	-	-	-	-	-	-	-	-	-	-	-
Kerbing	-	-	-	-	-	-	-	-	-	-	-	-	-
Paving	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Roads:</i>													
Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	243 848 068	5 564 144	3 312 488	-	-	252 724 701	87 227 491	3 282 297	-	-	90 509 788	162 214 912	11 894 000
Pavements	579 247 650	-	-	-	-	579 247 650	412 311 524	47 424 889	-	-	459 736 413	119 511 237	-
Road Furniture	1 242 677 876	-	-	-	-	1 242 677 876	732 206 666	68 466 780	-	-	800 673 446	442 004 430	-
Street Lighting	137 802 701	-	66 349	-	-	137 869 050	114 190 877	4 132 477	-	-	118 323 354	19 545 696	200 000
Stormwater Drainage	122 820 508	-	-	-	-	122 820 508	65 590 501	5 901 658	-	-	71 492 159	51 328 348	-
Stormwater Pipework	209 030 768	-	-	-	-	209 030 768	87 792 923	4 180 615	-	-	91 973 538	117 057 230	-
Bus / Taxi Stops	1 923 842	-	-	-	-	1 923 842	961 921	82 093	-	-	1 044 014	879 828	-
Bus / Taxi Terminals	8 234 392	-	-	-	-	8 234 392	3 675 097	331 558	-	-	4 006 655	4 227 737	-
Car Parks	-	-	-	-	-	-	-	-	-	-	-	-	-
Bridges, Subways and Culverts	-	-	-	-	-	-	-	-	-	-	-	-	-
Motorways	-	-	-	-	-	-	-	-	-	-	-	-	-
Overhead Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads: Gravel	-	-	243 493	-	-	243 493	-	-	-	-	-	243 493	-
Roads: Other	-	-	-	-	-	-	(0)	-	-	-	(0)	0	-
Roads: Tarred	-	-	4 422 229	-	-	4 422 229	-	-	-	-	-	4 422 229	-
Stormwater	-	-	-	-	-	-	-	-	-	-	-	-	-
Streetname Signs	-	-	-	-	-	-	-	-	-	-	-	-	-
Traffic Islands	-	-	-	-	-	-	-	-	-	-	-	-	-
Traffic Lights	-	-	-	-	-	-	0	-	-	-	0	(0)	-
<i>Sanitation:</i>													
Landfill Sites	96 993 459	-	-	-	-	96 993 459	39 315 873	2 032 332	-	-	41 348 205	55 645 254	1 291 500
Transfer Stations	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Security Measures:</i>													
Access Control	-	-	-	-	-	-	-	-	-	-	-	-	-
Fencing / Perimeter Protection	-	45 149	255 611	-	-	300 760	-	-	-	-	-	300 760	30 000
Security Lights	-	-	-	-	-	-	-	-	-	-	-	-	-
Security Systems	-	-	-	-	-	-	-	-	-	-	-	-	-

APPENDIX B
GOVAN MBEKI MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Sewerage:</i>													
Bulk Pipelines	132 799 800	-	-	-	-	132 799 800	69 071 850	3 319 995	-	-	72 391 845	60 407 955	-
Outfall Sewers	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	428 048 319	13 719 838	2 205 066	-	-	443 973 223	155 651 475	4 851 508	-	-	160 502 984	283 470 240	13 321 623
Toilet Facilities	52 534 120	5 935 323	2 876 885	-	-	61 346 329	13 056 896	3 319 654	-	-	16 376 551	44 969 778	9 471 950
Pumping Stations	36 137 432	-	8 713 624	-	-	44 851 056	17 698 199	1 669 203	-	-	19 367 402	25 483 654	-
Treatment Works	125 027 167	-	3 397 916	-	-	128 425 083	45 933 572	4 204 050	-	-	50 137 621	78 287 462	3 656 100
Pumps	-	-	-	-	-	-	(0)	-	-	-	(0)	0	-
Sewers	-	-	17 737 699	-	-	17 737 699	(0)	-	-	-	(0)	17 737 699	-
Sludge Machines	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Water:</i>													
Dams and Weirs	11 041 262	-	-	-	-	11 041 262	5 524 312	149 935	-	-	5 674 247	5 367 015	-
Reservoirs and Tanks	134 503 107	-	7 424 042	-	-	141 927 149	66 670 262	3 529 195	-	-	70 199 456	71 727 693	8 472 200
Underground Chambers	-	-	-	-	-	-	-	-	-	-	-	-	-
Boreholes	589 300	861 182	-	-	-	1 450 482	209 408	26 844	-	-	236 253	1 214 229	1 000 000
Pumping Stations	1 491 484	5 985	47 368	-	-	1 544 837	779 006	83 199	-	-	862 206	682 632	600 000
Treatment Works	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulk Pipelines	130 619 150	3 362 809	409 368	-	-	134 391 327	69 949 963	2 525 129	-	-	72 475 091	61 916 236	1 134 600
Reticulation	258 653 741	-	2 447 297	-	-	261 101 038	94 275 305	3 541 848	-	-	97 817 153	163 283 885	2 176 300
Meters	93 179 686	-	-	-	-	93 179 686	57 566 143	9 317 969	-	-	66 884 111	26 295 575	-
Mains	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Rights	-	-	-	-	-	-	-	-	-	-	-	-	-
	4 827 046 356	77 841 559	58 946 541	-	-	4 963 834 456	2 623 153 188	200 057 839	-	-	2 823 211 027	2 140 623 429	61 772 635
Community Assets			0.00										
<i>Recreational Facilities:</i>													
Aquariums	-	-	-	-	-	-	-	-	-	-	-	-	-
Beach Developments	-	-	-	-	-	-	-	-	-	-	-	-	-
Cable Cars	-	-	-	-	-	-	-	-	-	-	-	-	-
Cable Stations	-	-	-	-	-	-	-	-	-	-	-	-	-
Caravan Parks	390 041	-	-	-	-	390 041	194 482	13 716	-	-	208 198	181 844	-
Caravans	-	-	-	-	-	-	-	-	-	-	-	-	-
Cinemas	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Theatres	42 188 640	541 299	-	-	-	42 729 939	21 015 542	1 356 543	-	-	22 372 085	20 357 855	-
Fountains	-	-	-	-	-	-	-	-	-	-	-	-	-
Game Reserves and Rest Camps	-	-	-	-	-	-	-	-	-	-	-	-	-
Lakes and Dams	17 651 103	-	-	-	-	17 651 103	5 941 004	697 793	-	-	6 638 797	11 012 306	-
Mobile Homes	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums and Art Galleries	2 345 875	-	-	-	-	2 345 875	1 282 094	87 575	-	-	1 369 669	976 206	-
Organ and Case	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks	94 242 283	193 806	-	-	-	94 436 089	48 460 113	3 215 535	-	-	51 675 648	42 760 440	800 000
Recreation Centres	-	-	-	-	-	-	-	-	-	-	-	-	-
Zoos	-	-	-	-	-	-	-	-	-	-	-	-	-

APPENDIX B
GOVAN MBEKI MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Sports Facilities:</i>													
Indoor Sports Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Outdoor Sports Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Sports Complexes	145 444 696	-	-	-	-	145 444 696	64 158 340	4 341 601	-	-	68 499 941	76 944 755	-
Stadiums	128 724 809	55 730	-	-	-	128 780 539	55 167 232	3 845 534	-	-	59 012 766	69 767 773	500 000
Basketball Courts	-	-	-	-	-	-	-	-	-	-	-	-	-
Bowling Greens	1 670 113	-	-	-	-	1 670 113	693 609	69 068	-	-	762 678	907 435	-
Golf Courses	4 142 486	-	-	-	-	4 142 486	1 949 168	153 622	-	-	2 102 791	2 039 695	-
Jukskei Pitches	-	-	-	-	-	-	-	-	-	-	-	-	-
Netball Courts	458 810	-	-	-	-	458 810	344 668	27 621	-	-	372 289	86 521	-
Soccer Fields	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	1 209 915	-	-	-	-	1 209 915	949 157	55 298	-	-	1 004 455	205 460	-
Tennis Courts	1 141 815	-	-	-	-	1 141 815	1 019 223	70 384	-	-	1 089 607	52 208	-
Floodlighting	1 492	-	-	-	-	1 492	1 282	210	-	-	1 492	0	-
<i>Other Facilities:</i>													
Abattoirs	13 201 835	-	-	-	-	13 201 835	5 411 781	522 212	-	-	5 933 993	7 267 842	-
Ambulance Stations	-	-	-	-	-	-	-	-	-	-	-	-	-
Care Centres	15 052 716	-	-	-	-	15 052 716	7 337 134	639 556	-	-	7 976 689	7 076 027	-
Cemeteries	27 361 277	3 782 440	-	-	-	31 143 717	18 340 127	984 962	-	-	19 325 089	11 818 627	1 063 100
Clinics and Hospitals	14 288 150	-	-	-	-	14 288 150	5 963 247	613 401	-	-	6 576 648	7 711 503	-
Community Centres	31 450 637	169 860	1 253 317	-	-	32 873 814	12 238 325	1 243 292	-	-	13 481 617	19 392 197	4 500 000
Cremators	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire Stations	38 311 231	1 233 716	4 667 035	-	-	44 211 982	11 054 970	1 683 610	-	-	12 738 580	31 473 402	7 670 900
Lapas	1 927 249	-	-	-	-	1 927 249	996 447	62 214	-	-	1 058 661	868 588	-
Libraries	26 388 940	-	-	-	-	26 388 940	11 372 836	1 108 640	-	-	12 481 476	13 907 464	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortuaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Nurseries	74 880	-	-	-	-	74 880	73 632	1 248	-	-	74 880	-	-
Old Age Homes	3 044 379	-	-	-	-	3 044 379	1 020 046	118 952	-	-	1 138 997	1 905 381	-
Public Conveniences / Bathrooms	22 819 482	-	-	-	-	22 819 482	11 787 897	769 858	-	-	12 557 755	10 261 727	-
Schools	4 368 859	-	-	-	-	4 368 859	2 049 220	160 405	-	-	2 209 625	2 159 234	-
Show Grounds	6 638 984	-	-	-	-	6 638 984	3 463 064	208 759	-	-	3 671 823	2 967 160	-
Training Centres	-	-	-	-	-	-	-	-	-	-	-	-	-
Transport Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Vehicle Testing Centres	6 847 518	-	-	-	-	6 847 518	2 741 079	310 912	-	-	3 051 992	3 795 526	-
	651 388 215	5 976 852	5 920 351	-	-	663 285 418	295 025 721	22 362 520	-	-	317 388 241	345 897 177	14 534 000
			0.00										

APPENDIX B
GOVAN MBEKI MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Heritage Assets													
Antiques and Collections	-	-	-	-	-	-	-	-	-	-	-	-	-
Archives	-	-	-	-	-	-	-	-	-	-	-	-	-
Cultural Buildings / Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Historical Buildings / Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Jewellery	-	-	-	-	-	-	-	-	-	-	-	-	-
Museum Exhibits	-	5 908 303	4 624 136	-	-	10 532 439	-	-	-	-	-	10 532 439	-
Paintings	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Monuments	-	-	-	-	-	-	-	-	-	-	-	-	-
Sculptures	-	-	-	-	-	-	-	-	-	-	-	-	-
Works of Art	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	5 908 303	4 624 136	-	-	10 532 439	-	-	-	-	-	10 532 439	-
			0.00										
Housing													
Housing Schemes: Land	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing Schemes	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
			0.00										
Leased Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
			0.00										
Other Assets													
<i>Bins and Containers:</i>													
Bulk Containers	1 511 429	-	-	-	-	1 511 429	1 085 965	181 930	-	-	1 267 896	243 533	-
Household Refuse Bins	264 393	-	-	-	-	264 393	188 077	30 607	-	-	218 684	45 709	-
<i>Computer Equipment:</i>													
Computer Hardware	9 994 452	1 064 710	-	-	(238 065)	10 821 097	6 777 093	2 445 738	-	(237 967)	8 984 863	1 836 234	3 820 000
Computer Networks	37 646	-	-	-	-	37 646	(6 001)	7 529	-	-	1 529	36 118	-
<i>Emergency Equipment:</i>													
Ambulance Equipment	10 385	-	-	-	-	10 385	5 819	2 319	-	-	8 138	2 247	-
Emergency / Rescue Equipment	97 027	-	-	-	-	97 027	60 955	7 747	-	-	68 702	28 325	-
Emergency Lights	8 600	-	-	-	-	8 600	6 536	2 064	-	-	8 600	-	-
Fire Fighting Equipment	382 401	-	-	-	-	382 401	208 359	28 287	-	-	236 646	145 755	-
Medical and Allied Equipment	598 804	446	-	-	-	599 250	453 306	105 839	-	-	559 145	40 105	-
<i>Furniture and Fittings:</i>													
Advertising Boards	-	-	-	-	-	-	-	-	-	-	-	-	-
Cabinets and Cupboards	3 143 130	124 438	-	-	(3 600)	3 263 968	2 446 566	577 225	-	(3 600)	3 020 191	243 777	-
Chairs	2 802 058	163 960	-	-	(26 890)	2 939 128	2 201 890	467 232	-	(26 376)	2 642 746	296 382	-
Desks and Tables	3 495 042	164 657	-	-	(46 430)	3 613 268	2 561 769	635 154	-	(46 430)	3 150 493	462 776	-
Domestic / Hostel Furniture	549 203	21 368	-	-	-	570 571	443 707	101 637	-	-	545 344	25 226	-
Other Furniture and Fittings	6 686 413	74 745	-	-	(3 350)	6 757 808	4 362 475	1 133 808	-	(3 350)	5 492 933	1 264 875	5 395 600

APPENDIX B
GOVAN MBEKI MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying	Budget
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value	Additions 2010
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Office Equipment:</i>													
Air Conditioners	2 555 177	52 990	-	-	-	2 608 168	1 914 329	605 504	-	-	2 519 833	88 335	50 000
Audiovisual Equipment	1 070 260	9 387	-	-	(3 315)	1 076 332	787 359	236 598	-	(3 315)	1 020 642	55 690	-
Cellular Phones	-	-	-	-	-	-	-	-	-	-	-	-	-
Chains, Decorations and Robes	404 000	-	-	-	-	404 000	351 817	52 183	-	-	404 000	-	-
Cutlery and Crockery	1 799	-	-	-	-	1 799	1 383	185	-	-	1 569	231	-
Domestic Equipment	384 516	26 586	-	-	(1 763)	409 339	314 965	54 832	-	(1 763)	368 034	41 306	-
Kitchen Appliances	593 834	43 497	-	-	(2 476)	634 856	434 674	140 590	-	(2 476)	572 788	62 068	-
Learning / Training Materials	76 709	-	-	-	-	76 709	61 565	13 682	-	-	75 247	1 462	-
Library Materials	-	-	-	-	-	-	-	-	-	-	-	-	-
Linen and Soft Furnishings	653	-	-	-	-	653	44	131	-	-	174	479	-
Music Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment / Machines	1 095 272	54 624	-	-	(9 532)	1 140 364	828 089	192 623	-	(9 532)	1 011 180	129 184	-
Paintings, Sculptures and Ornaments	148 504	-	-	-	-	148 504	120 967	27 529	-	-	148 497	7	-
Photographic Equipment	936 275	12 560	-	-	-	948 836	624 008	314 685	-	-	938 693	10 142	-
Other Office Equipment	422 847	3 095	-	-	(1 049)	424 892	327 606	77 657	-	(1 049)	404 214	20 678	3 785 000

APPENDIX B
GOVAN MBEKI MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Plant and Equipment:</i>													
Agricultural / Farm Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Air Conditioning Systems	-	-	-	-	-	-	-	-	-	-	-	-	-
Cellular Routers	-	-	-	-	-	-	-	-	-	-	-	-	-
Compaction Equipment	1 547 502	-	-	-	-	1 547 502	1 169 948	371 065	-	-	1 541 013	6 489	-
Compressors, Generators & Allied Eq	465 499	7 000	-	-	-	472 499	375 550	86 234	-	-	461 784	10 714	-
Conveyors	-	-	-	-	-	-	-	-	-	-	-	-	-
Earthmoving Equipment	1 026 700	-	-	-	-	1 026 700	827 486	131 570	-	-	959 056	67 644	-
Elevator Systems	-	-	-	-	-	-	-	-	-	-	-	-	-
Feeders	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire Arms	480	-	-	-	-	480	107	160	-	-	267	213	-
Gardening Equipment	1 997 176	319 816	-	-	-	2 316 993	1 423 629	512 734	-	-	1 936 363	380 630	100 000
Industrial Sewing Machines	-	-	-	-	-	-	-	-	-	-	-	-	-
Irrigation Equipment / Systems	-	-	-	-	-	-	-	-	-	-	-	-	-
Laboratory Equipment	78 133	-	-	-	-	78 133	60 258	17 028	-	-	77 286	848	-
Lathes	-	-	-	-	-	-	-	-	-	-	-	-	-
Laundry Equipment	37 482	-	-	-	-	37 482	27 373	8 742	-	-	36 115	1 368	-
Metallurgy Machines	-	-	-	-	-	-	-	-	-	-	-	-	-
Milling Equipment	5 500	-	-	-	-	5 500	(684)	781	-	-	97	5 403	-
Mining Machines	-	-	-	-	-	-	-	-	-	-	-	-	-
Pulverising Mills	-	-	-	-	-	-	-	-	-	-	-	-	-
Pumps / Plumbing / Purification / Sanit	852 150	587 793	-	-	-	1 439 942	665 732	143 917	-	-	809 649	630 293	-
Quarrying Machines	-	-	-	-	-	-	-	-	-	-	-	-	-
Radio Equipment	1 759 906	180 000	-	-	(45 491)	1 894 415	1 302 782	419 624	-	(45 491)	1 676 915	217 499	-
Road Construction and Maintenance E	33 695	-	-	-	-	33 695	28 809	4 886	-	-	33 695	-	-
Saddles and Other Tack	-	-	-	-	-	-	-	-	-	-	-	-	-
Security Equipment / Systems / Materi	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and Recreational Equipment	83 473	56 494	-	-	-	139 967	49 630	24 418	-	-	74 048	65 919	-
Surveying Equipment	303 224	-	-	-	-	303 224	244 182	55 561	-	-	299 743	3 482	-
Telecommunication Equipment	127 280	9 895	-	-	-	137 175	57 118	26 566	-	-	83 684	53 491	-
Tents, Flags and Accessories	-	-	-	-	-	-	-	-	-	-	-	-	-
Textile Production Machines	-	-	-	-	-	-	-	-	-	-	-	-	-
Woodworking Machinery and Equipme	7 788	-	-	-	-	7 788	2 163	2 596	-	-	4 759	3 029	-
Workshop Equipment	643 856	46 614	-	-	-	690 470	479 189	116 559	-	-	595 748	94 722	930 000
Workshop Tools	359 022	61 670	-	-	-	420 692	211 683	136 254	-	-	347 937	72 755	-
Other Plant and Equipment	1 509 701	6 158	-	-	-	1 515 859	955 084	337 633	-	-	1 292 717	223 142	1 070 000
Cable Cars	-	-	-	-	-	-	-	-	-	-	-	-	-
Cremators	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Motor Vehicles:</i>													
Aircraft	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-
Bakkies (LDV's)	9 620 187	893 064	-	-	(2 561 969)	7 951 282	7 260 790	2 207 438	-	(2 561 969)	6 906 259	1 045 023	-
Busses	180 000	-	-	-	-	180 000	153 900	26 100	-	-	180 000	-	-
Cycles	10 000	-	-	-	-	10 000	6 333	3 667	-	-	10 000	-	-
Fire Engines	1 536 204	908 470	-	-	-	2 444 674	1 300 647	127 384	-	-	1 428 031	1 016 643	-
Graders	7 048 943	1 513 690	-	-	-	8 562 633	4 561 924	1 225 977	-	-	5 787 901	2 774 733	800 000
Mechanical Horses	1 007 100	-	-	-	-	1 007 100	736 263	239 075	-	-	975 338	31 762	-
Mobile Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-

APPENDIX B
GOVAN MBEKI MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying	Budget
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value	Additions 2010
	R	R	R	R	R	R	R	R	R	R	R	R	R
Motor Cars	1 803 912	-	-	-	(663 064)	1 140 849	1 321 227	414 735	-	(663 064)	1 072 899	67 950	-
Tipplers	1 389 955	-	-	-	-	1 389 955	1 442 447	333 588	-	-	1 776 035	(386 080)	-
Tractors	6 290 980	-	-	-	(710 000)	5 580 980	4 348 313	741 716	-	(637 424)	4 452 605	1 128 374	-
Trailers and Accessories	1 083 256	27 974	-	-	(11 501)	1 099 730	962 743	156 696	-	(11 501)	1 107 938	(8 208)	-
Trucks	10 214 065	438 532	-	-	(798 659)	9 853 938	7 216 482	2 288 635	-	(798 659)	8 706 458	1 147 480	-
Waste Disposal Trucks	12 160 277	-	-	-	(156 800)	12 003 477	6 698 982	2 469 732	-	(156 800)	9 011 914	2 991 563	-
Watercraft	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other Assets:</i>													
Asphalt Plant	-	-	-	-	-	-	-	-	-	-	-	-	-
Kilns	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
Laboratories	-	-	-	-	-	-	-	-	-	-	-	-	-
	100 454 276	6 874 234	-	-	(5 283 954)	102 044 556	70 453 413	20 074 386	-	(5 210 766)	85 317 033	16 727 522	15 950 600
Total	6 213 070 482	98 565 973	70 168 984	-	(5 283 954)	6 376 521 484	3 085 579 176	249 977 778	-	(5 210 766)	3 330 346 188	3 046 175 296	108 670 335

APPENDIX B
GOVAN MBEKI MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R

GOVAN MBEKI MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Investment Properties	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Land:</i>													
Land	158 347 815	-	-	-	-	158 347 815	-	-	-	-	-	158 347 815	-
Land Held-for-Sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Farms	11 150 000	-	-	-	-	11 150 000	-	-	-	-	-	11 150 000	-
<i>Buildings:</i>													
Buildings Let-out	71 373 000	-	-	-	-	71 373 000	-	-	-	-	-	71 373 000	-
Flats Block	-	-	-	-	-	-	-	-	-	-	-	-	-
Houses	52 900 686	-	-	-	-	52 900 686	5 433 897	433 129	-	-	5 867 026	47 033 660	-
	293 771 501	-	-	-	-	293 771 501	5 433 897	433 129	-	-	5 867 026	287 904 475	-

GOVAN MBEKI MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Intangible Assets	R	R	R	R	R	R	R	R	R	R	R	R	R
Capitalised Development Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software	1 872 600	239 725	-	-	-	2 112 325	1 286 389	628 599	-	-	1 914 988	197 337	-
Copyrights, Patents and Trademarks	-	-	-	-	-	-	-	-	-	-	-	-	-
Documents and Charts	-	-	-	-	-	-	-	-	-	-	-	-	-
Rights and Servitudes	12 961	-	-	-	-	12 961	3 024	432	-	-	3 456	9 505	-
Spatial Development Plan	1 765 070	-	-	-	-	1 765 070	1 412 056	353 014	-	-	1 765 070	-	-
Valuation Roll	926 438	-	-	-	-	926 438	371 350	185 675	-	-	557 025	369 413	-
	4 577 069	239 725	-	-	-	4 816 794	3 072 819	1 167 720	-	-	4 240 539	576 254	-
Total Asset Register	6 511 419 052	98 805 698	70 168 984	-	(5 283 954)	6 675 109 779	3 094 085 892	251 578 628	-	(5 210 766)	3 340 453 753	3 334 656 025	108 670 335

Assets shown under disposals were transfer to Assets - Held - For - Sale

APPENDIX C
GOVAN MBEKI MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	3 493 861	269 734	-	-	(4 480)	3 759 115	2 347 112	428 272	-	(4 480)	2 770 903	988 211
Finance and Administration	15 312 499	1 339 626	-	-	(539 423)	16 112 702	10 550 950	2 325 328	-	(538 810)	12 337 468	3 775 234
Planning and Development	676 907 653	1 371 101	-	-	(2 506 620)	675 772 134	124 452 270	12 400 085	-	(2 446 291)	134 406 063	541 366 071
Health	16 642 662	226 664	-	-	(400)	16 868 926	7 898 363	1 100 855	-	(400)	8 998 819	7 870 108
Community and Social Services	209 354 458	3 909 129	1 508 928	-	-	214 772 516	101 622 545	8 903 672	-	-	110 526 217	104 246 299
Housing	174 218	202 252	-	-	(1 800)	374 671	88 341	56 550	-	(1 800)	143 092	231 579
Public Safety	48 882 582	1 704 317	5 344 990	-	(2 071 365)	53 860 523	21 822 260	6 342 192	-	(2 059 118)	26 105 334	27 755 189
Sport and Recreation	408 815 655	6 890 397	4 624 136	-	(65 061)	420 265 128	188 594 755	15 047 737	-	(65 061)	203 577 432	216 687 696
Environmental Protection	1 820 674	-	-	-	-	1 820 674	1 402 866	-	-	-	1 402 866	417 808
Waste Management	884 218 993	22 766 954	34 931 191	-	(94 806)	941 822 332	347 844 157	22 217 425	-	(94 806)	369 966 776	571 855 556
Roads and Transport	2 478 661 463	6 225 092	7 978 210	-	-	2 492 864 765	1 456 636 650	131 658 477	-	-	1 588 295 127	904 569 638
Water	536 917 321	5 103 172	10 328 076	-	-	552 348 570	237 417 518	9 862 400	-	-	247 279 918	305 068 652
Electricity	931 868 444	48 557 534	5 453 452	-	-	985 879 431	584 901 389	39 634 785	-	-	624 536 174	361 343 256
Total	6 213 070 482	98 565 973	70 168 984	-	(5 283 954)	6 376 521 484	3 085 579 176	249 977 778	-	(5 210 766)	3 330 346 188	3 046 175 296

APPENDIX D
GOVAN MBEKI MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual Income	2009 Actual Expenditure	2009 Surplus/ (Deficit)	Description	2010 Actual Income	2010 Actual Expenditure	2010 Surplus/ (Deficit)
R	R	R		R	R	R
822 132	33 685 183	(32 863 051)	Executive and Council	25 950	41 287 826	(41 261 876)
265 478 459	160 283 287	105 195 171	Finance and Administration	297 740 781	131 304 429	166 436 351
4 732 040	29 463 041	(24 731 000)	Planning and Development	106 343 831	37 524 039	68 819 793
5 545 008	12 374 569	(6 829 561)	Health	10 716	12 875 817	(12 865 100)
2 854 885	19 691 885	(16 837 000)	Community and Social Services	1 947 641	37 967 255	(36 019 614)
2 028 542	4 769 582	(2 741 040)	Housing	1 572 634	6 020 582	(4 447 948)
11 427 508	53 480 368	(42 052 860)	Public Safety	15 348 397	67 561 750	(52 213 354)
6 989 972	42 212 446	(35 222 474)	Sport and Recreation	6 832 292	30 538 870	(23 706 579)
123 159 125	110 149 049	13 010 076	Waste Management	89 398 990	142 166 552	(52 767 561)
9 615 437	156 909 083	(147 293 646)	Roads and Transport	138 872	155 539 081	(155 400 210)
113 482 788	107 515 743	5 967 046	Water	137 117 784	172 342 031	(35 224 247)
187 154 662	218 469 134	(31 314 472)	Electricity	285 316 612	282 911 037	2 405 575
733 290 560	949 003 371	(215 712 811)	Sub-Total	941 794 500	1 118 039 270	(176 244 770)
13 945 972	10 482 716	3 463 256	Less: Inter-departmental Charges	18 596 671	11 856 257	6 740 414
747 236 533	959 486 087	(212 249 555)	Total	960 391 171	1 129 895 527	(169 504 356)

APPENDIX E(1)
GOVAN MBEKI MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

Description	2009/2010 Actual	2009/2010 Budget	2009/2010 Variance	2009/2010 Variance	Explanation of Significant Variances greater than 10% versus Budget
REVENUE	R	R	R	%	
Property Rates	120 904 558	124 577 600	(3 673 042)	(3.04)	
Property Rates - Penalties imposed and collection charges	3 571 847	-	3 571 847	100.00	Revenue budgeted for under Interest Earned - Outstanding debtors
Service Charges	496 736 327	446 816 200	49 920 127	10.05	
Rental of Facilities and Equipment	4 874 116	3 568 400	1 305 716	26.79	
Interest Earned - External investments	12 542 315	6 904 900	5 637 415	44.95	
Interest Earned - Outstanding debtors	29 586 796	42 729 400	(13 142 604)	(44.42)	
Fines	4 184 283	4 332 400	(148 117)	(3.54)	Under performance of the Traffic Department
Licences and Permits	124 827	630 700	(505 873)	(405.26)	Dog licences not enforced
Income for Agency Services	11 082 238	10 455 400	626 838	5.66	
Government Grants and Subsidies	242 928 299	249 604 285	(6 675 986)	(2.75)	
Other Income	29 161 861	58 279 800	(29 117 939)	(99.85)	
Public Contributions and Donations	220 164	1 000 500	(780 337)	(354.43)	Optimistic budget based on previous years' receipts
Gains on Disposal of Property, Plant and Equipment	4 473 541	3 000 000	1 473 541	32.94	Fewer stands sold than budgeted for
Total Revenue	960 391 171	951 899 585	8 491 586	0.89	
EXPENDITURE					
Employee Related Costs	273 171 517	266 689 511	6 482 006	2.37	
Remuneration of Councillors	12 176 644	11 189 000	987 644	8.11	
Collection Costs	3 443 847	4 700 000	(1 256 153)	(36.48)	
Depreciation	251 578 628	70 434 700	181 143 928	72.00	
Impairment Losses	125 456 962	55 258 100	70 198 862	55.95	Budget not aligned to allow for the recognition of probable income
Repairs and Maintenance	29 528 403	34 069 377	(4 540 974)	(15.38)	
Interest Paid	15 027 549	24 244 200	(9 216 651)	(61.33)	Loan agreement matured during January 2009
Bulk Purchases	240 613 146	218 832 300	21 780 846	9.05	
Contracted Services	40 701 271	41 735 831	(1 034 560)	(2.54)	Expenditure for Professional Services and Security Services exceeded budget
Grants and Subsidies Paid	60 060 818	164 204 297	(104 143 479)	(173.40)	Capital Expenditure budgeted for in Operating Account, expensed in Appropriations
General Expenses	78 136 742	113 549 969	(35 413 227)	(45.32)	
Total Expenditure	1 129 895 527	1 004 907 285	124 988 242	12.44	
NET SURPLUS / (DEFICIT) FOR THE YEAR	(169 504 356)	(53 007 700)	(116 496 656)	(219.77)	

APPENDIX E(2)
GOVAN MBEKI MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

Description	2009/2010 Actual	2009/2010 Under Construction	2009/2010 Total Additions	2009/2010 Budget	2009/2010 Variance	2009/2010 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive and Council	269 734	-	269 734	715 000	(445 266)	(62.28)	Expenditure incurred in Operational Budget
Finance and Administration	1 339 626	-	1 339 626	5 750 000	(4 410 374)	(76.70)	Expenditure incurred in Operational Budget
Planning and Development	1 371 101	-	1 371 101	21 190 600	(19 819 499)	(93.53)	Expenditure incurred in Operational Budget
Health	226 664	-	226 664	265 000	(38 336)	(14.47)	Projects approved late in financial year
Community and Social Services	3 909 129	1 253 317	5 162 446	7 083 100	(1 920 654)	(27.12)	Projects approved late in financial year
Housing	202 252	-	202 252	413 100	(210 848)	(51.04)	Projects approved late in financial year
Public Safety	1 704 317	4 667 035	6 371 351	7 790 900	(1 419 549)	(18.22)	Projects approved late in financial year
Sport and Recreation	6 890 397	-	6 890 397	630 000	6 260 397	993.71	Projects approved late in financial year
Environmental Protection	-	-	-	40 000	(40 000)	(100.00)	Expenditure incurred in Operational Budget
Waste Management	22 766 954	5 137 367	27 904 322	29 111 173	(1 206 852)	(4.15)	Projects commenced late in financial year and was carried over to 2009/10
Roads and Transport	6 225 092	3 312 488	9 537 580	12 694 000	(3 156 420)	(24.87)	Projects commenced late in financial year and was carried over to 2009/10
Water	5 103 172	10 328 076	15 431 248	14 213 100	1 218 148	8.57	Projects commenced late in financial year and was carried over to 2009/10
Electricity	48 557 534	-	48 557 534	8 774 362	39 783 172	453.40	Projects commenced late in financial year and was carried over to 2009/10
Total	98 565 973	24 698 283	123 264 255	108 670 335	14 593 920	13.43	

APPENDIX F
GOVAN MBEKI MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		June	Sept	Dec	March	June	June	Sept	Dec	March	June	June	Sept	Dec	March	June		Yes / No	
FMG	Nat Treasury	0	750 000	0	0	0	0	185 958	213 037	56 044	-6 641	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG Projects	MIG	0	21 792 000	12 580 000	41 712 000	0	0	6 466 518	9 112 858	-2 992 478	31 483 760	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Health - Clinics	Province	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share	Nat Treasury	0	50 654 130	40 523 304	33 009 338	0	0	31 046 693	31 046 693	31 046 693	31 046 693	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DLGH	Province	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Anglo Platinum	Private	0	0	0	0	0	0	0	0	0	10 000 000	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Local District Municipality	LDM	0	0	0	0	52 852 896	0	610 966	610 967	0	51 630 963	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Electrification Project	DME	0	4 419 000	1 469 000	0	0	0	70 000	1 776 547	2 892 989	647 568	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSP & MSIG	Province	0	735 000	0	0	0	0	0	253 620	261 432	220 350	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Sport & Recreation	Province	0	0	0	0	0	0	0	3 055 195	1 946 846	969 997	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Arts & Culture	Province	0	0	0	550 000	0	0	1 852	33 232	147 908	163 173								
Total Grants and Subsidies Received		0	78 350 130	54 572 304	75 271 338	52 852 896	0	38 381 988	46 102 150	33 359 434	126 155 864	0	0	0	0	0			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																			